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**Legislative Assembly  
of Ontario**

First Intersession, 35th Parliament

**Official Report  
of Debates  
(Hansard)**

**Monday 20 January 1992**

**Standing committee on  
resources development**

**Power Corporation  
Amendment Act, 1991**

**Assemblée législative  
de l'Ontario**

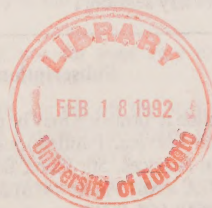
Première intersession, 35<sup>e</sup> législature

**Journal  
des débats  
(Hansard)**

**Le lundi 20 janvier 1992**

**Comité permanent du  
développement des ressources**

**Loi de 1991 modifiant  
la Loi sur la Société de l'électricité**



Chair: Peter Kormos  
Clerk: Harold Brown

Président : Peter Kormos  
Greffier : Harold Brown

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Monday 20 January 1992

The committee met at 1315 in committee room 2.

### POWER CORPORATION AMENDMENT ACT, 1991 LOI DE 1991 MODIFIANT LA LOI SUR LA SOCIÉTÉ DE L'ÉLECTRICITÉ

Resuming consideration of Bill 118, An Act to amend the Power Corporation Act / Projet de loi 118, Loi modifiant la Loi sur la Société de l'électricité.

**The Chair:** Good afternoon. We are ready to start. It is 1:15 pm. We have a sizeable number of groups and people who want to participate this afternoon, so we are going to have to be careful to utilize the time frames set out in the schedule. I would ask people making submissions to restrict their comments, if at all possible, to under the first 10 minutes, so that there are at least 10 minutes left for questions and conversation.

### SCARBOROUGH CHAMBER OF COMMERCE

**The Chair:** The first participant is the Scarborough Chamber of Commerce. Here on behalf of the chamber is Clancy Delbaine—

**Mr Delbarre:** Delbarre.

**The Chair:**—Delbarre, chair of the government affairs committee. Please proceed with your comments. My apologies for mispronouncing your name.

**Mr Delbarre:** It is all right.

**The Chair:** It has happened to me once in a while too.

**Mr Delbarre:** I have been called worse.

**The Chair:** So have I.

**Mr Delbarre:** Ladies and gentlemen, we are not here to present a brief but instead we wish to make what perhaps may be a gratuitous comment related to this subject.

We are of the opinion that governments of whatever political stripe have never proven to be efficient producers or manufacturers of goods. Worldwide events of the last few years will attest to that. We believe the involvement of the Ontario government in Hydro is not going to prove efficient for the consumers. We therefore submit that the privatization of Ontario Hydro be pursued forthwith. Let it compete fairly and openly with other fuel sources in the private sector. We believe consumers will be best served in that manner.

**Mr Conway:** I am interested in that observation because it was a long time ago in this province that a group of business people, Adam Beck probably being the most notable, decided that public power and a public utility, namely, the Hydro-Electric Power Commission of Ontario, was absolutely critical to the economic development of this province, because one thing they could not imagine is something so fundamental as electricity being in the hands of a small group of private cartels. Was Adam Beck wrong?

**Mr Delbarre:** He may not have been wrong at the time he made that statement. I suggest that conditions have changed. The fact is that there are other means of properly controlling that sort of quasi-monopoly, if you want to call it that.

There are very good examples of other monopolies providing efficient and economical service to the consumers, such as Bell telephone. There is no reason to consider that the generation of power and electricity be any different from any other service that is provided.

**Mr Conway:** There are a variety of functions in Hydro today, if one looks at the entire operation. There is the generation of electrical power, the transmission of that power and then, of course, the very large construction development component to Ontario Hydro. Is it the view of the Scarborough Chamber of Commerce that we ought to privatize all three of those functions?

**Mr Delbarre:** In principle, yes, it is our view that it would be privatized.

**Mr Conway:** You would see no danger to the public in the privatization of the generation and transmission of electricity?

**Mr Delbarre:** We do not see that as any different from the transmission and generation of natural gas or any other energy source the public now makes use of.

**Mr Conway:** I live in rural Ontario and we have no natural gas at all. It is a bone of some contention that we just do not have what you people in Scarborough take for granted. But we do have electricity and it would be almost unthinkable to be denied electricity on the basis that we are routinely denied natural gas.

**Mr Delbarre:** I do not profess to be of sufficient knowledge and expertise to explore that factor in depth, but I believe in principle that the energy sources should be competitive with each other as opposed to having certain of them operating solely in the private sector and others in the public sector.

**Mr Arnott:** Thank you for your very brief brief. I have one quick question for you.

**The Chair:** Sir, you are not off the hook yet. Please stay with us. You have obviously provoked some discussion here and we are pleased to have it.

**Mr Arnott:** Premier Cameron in Nova Scotia recently announced his intention to privatize Nova Scotia Power Corp in the very near future. Do you think it would be a sensible thing for the province of Ontario to watch that one to see what the outcome is and what pitfalls they may fall into, prior to going ahead on its own?

**Mr Delbarre:** Yes, I suggest it is highly desirable.

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**Mr Jordan:** Thank you very much for your brief presentation. Brief it may be, but it is very interesting and certainly covers a large scope, the result of which could have many side-effects. What would be the three main advantages, in your opinion, of privatizing Ontario Hydro?

**Mr Delbarre:** The first advantage, as we see it, is that it would be required to compete fairly and openly with other energy sources operating in the private sector. Second, we are of the opinion that the way it is currently structured, as a crown corporation, probably leads to some bureaucratic—I am not sure of the correct term I might use in that—but inefficient bureaucracy which will likely not be cured by the increased control of the ministry.

**Mr Jordan:** Do you have an understanding of the product, electricity?

**Mr Delbarre:** A technical understanding of the product, yes.

**Mr Jordan:** Having taken into account that you understand the product itself and the technology required for generation, transmission, distribution, measuring, metering and so on, I assume you are aware of the research department that Ontario Hydro supports within the utility. I assume you are aware of the technology and the engineering division, hydraulic, mechanical and technical, that we have established over the years?

**Mr Delbarre:** Yes.

**Mr Jordan:** I assume you realize that the past history of Ontario Hydro has been the engine of Ontario as far as the development of industry and manufacturing are concerned.

**Mr Delbarre:** Yes.

**Mr Jordan:** Yet you think it has been a failure.

**Mr Delbarre:** No, I did not say it was a failure, sir. I merely indicated that it is our opinion that it may operate more efficiently and economically as a competitor in the private sector.

**Mr Jordan:** Energy such as electricity is difficult to compare with a fossil fuel, and the immensity of the capital that is in a transmission generation and distribution system alone is just—I find it difficult to picture private enterprise still making that energy. Remember, the other fuels depend on that energy. Your gas furnace in your home is absolutely useless without electricity.

**Mr Delbarre:** Yes.

**Mr Jordan:** So there is a need, from lighting to television to computers, a basic need of all people in the province for that energy, and for that reason, not letting government get involved in the actual running of the corporation, but letting government give policy statements to the corporations so that they are aware of the elected officials' feeling of what is good for the province of Ontario under their regime, and then letting it continue on as a corporation, run like a business, for the benefit of all people in Ontario, whether they are adjacent to natural gas and whether they depend solely on electricity—would that not be a fair use of water resources, nuclear energy, steam generation, cogeneration or whatever it might be?

**Mr Delbarre:** Perhaps we differ in philosophy, as opposed to in our objectives and aims. We believe that whether it be Ontario Hydro and those factors you mentioned—the same thing could be argued for communications, that we should all have the means to be supplied with service and phones and so on.

**Mr Jordan:** Which would you—

**The Chair:** Mr Jordan, the problem is that now it is Mr Huget's turn.

**Mr Huget:** Thank you for your presentation. It is seldom we have to lasso somebody on the way out the door. We have to sometimes shove them out.

I will comment on Mr Arnott's comments about Nova Scotia. Your views are interesting in terms of what in fact amounts to changing a public monopoly into a private monopoly, and I think there are concerns about that. It is something about which I certainly will be very interested to see what happens as they proceed along that path because, as it looks to me, it is a private monopoly rather than privatization.

In Britain, I think there are some experts—they have gone through a privatization program as well—who are now very concerned about the reliability of supply, the reliability of the facilities and a whole host of problems that they were not concerned about before, so it will be interesting to watch what goes on there.

But assuming that we are not going to privatize Ontario Hydro this afternoon, do you think that Ontario Hydro needs to become more accountable to the taxpayers of the province?

**Mr Delbarre:** Yes, we do.

**Mr Huget:** Would you agree that the elected officials and elected members of Parliament are in the best position to make sure that there is that accountability to the taxpayers of the province? I would like your views on that.

**Mr Delbarre:** If we look at the expansion of government control—if that is the word—represented in this bill, I suppose our concern would be that with the minister being authorized to issue directives, and the sense that the cost of complying with those directives ultimately be borne by the public, we are not certain whether sufficient safeguards exist to guard against political whims or goals not directly compatible with the economical and efficient production of power.

**Mr Huget:** For example, where there was a policy directive to ensure that energy in the province was used efficiently, and it was a conservation strategy, would you see that in the public interest or not in the public interest?

**Mr Delbarre:** We do not have a quarrel with the objective being in the public interest. I suppose our concerns are with the means to achieve those objectives. I suppose it is more a question of our being somewhat—what is the correct word?—sceptical of government interference in services where other goals are brought in which are perhaps considered of importance but may in fact affect the core.

**The Chair:** Now to Mr Waters.

**Mr Waters:** Part of what I wanted was a clarification. Earlier on I believe you had said privatizing Ontario Hydro, and I thought I heard you say the PUCs as well, the public utilities commissions. I was not absolutely certain. I wanted to get that clear. Would you go so far as to privatize the local public utilities?

**Mr Delbarre:** I think this should be considered in steps or stages, if in fact it is Ontario Hydro, if that is the correct term to identify it. If privatization proves as successful as we think it might, we see no reason why other services downstream should not also be privatized.

**The Chair:** At that, sir, we say thank you. I should tell you that there has been tremendous interest from across the province in this legislation. We appreciate the Scarborough chamber taking the time to make a presentation here and its interest in the issues. I trust you and your organization will keep in touch with the personalities involved to see the progress of this bill. Thank you, sir.

**Mr Delbarre:** Thank you very much for your time.  
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#### CANADIAN BAR ASSOCIATION—ONTARIO

**The Chair:** The Canadian Bar Association—Ontario is here this afternoon. Please seat yourselves and identify yourselves so that we know who we are speaking to.

**Ms James:** Good afternoon. I am Erica James and I am the vice-president of the Canadian Bar Association—Ontario. I am here on behalf of Kenneth Alexander, our president, who unfortunately is not able to be here today. I have with me Bruce MacOdrum and Sharon Dowdall. They are representatives of our section on natural resources and energy in the Canadian Bar Association—Ontario.

**The Chair:** You have written materials which are being distributed and which will form an exhibit, part of the record.

**Ms James:** Thank you. The Canadian Bar Association has for 80 years represented the legal profession in Canada, and in Ontario it represents at least 15,000 lawyers. In pursuance of the objectives of the association, which include the promotion of improvements in the law, legal research, law reform and improvement of public and social policy, our association examines current issues, including proposed legislation and its effect on the legal systems and the public. We achieve our goals through an enormous contribution of volunteer time by lawyers and we are very proud of the representative input that goes into our submissions. We have the opportunity to have lawyers who act within the perimeters of the law and those whose duty is to enforce it, so our submissions we feel represent a coming together of the different perspectives. With that, I would like to ask Bruce MacOdrum to speak to you about the submission that is before you.

**Mr MacOdrum:** Thank you, Erica. Mr Chairman and members of the committee, as you know, on June 5 the minister introduced Bill 118 into the Legislature and the bill was given first reading.

The Power Corporation Act is the corporate charter of Ontario Hydro. The act describes Ontario Hydro's relationship with its customers, including the municipal elec-

tric commissions which distribute electricity in the urban areas of Ontario.

The concerns of the Canadian Bar Association—Ontario arise from two fundamental legal principles. These are generic concerns and do not arise from the particular subject matter of the Power Corporation Act.

First, section 6 of Bill 118 would permit cabinet, by policy directive, to change the scope and objects of the legislation without further amendment of the Power Corporation Act. Fundamental changes in legislation should be undertaken by legislative amendments, not subordinate legislation.

Second, section 9 of Bill 118 invalidates, effective the date of first reading, any action taken by the president as chief executive officer, and assigns the responsibilities of the chief executive officer to the chairman as of that date. This proposed amendment, which places the corporation, its president and persons dealing with the corporation in a very difficult position, is an inappropriate use of retrospective legislation.

First let me comment on section 6. This proposed section would permit cabinet to expand in a fundamental way the scope and objects of Ontario Hydro without seeking an amendment of the Power Corporation Act. Currently, Ontario Hydro's activities are confined to those permitted by the wording of the Power Corporation Act. Any action attempted to be undertaken beyond this wording could be struck down by the courts.

Section 6, however, would change this and vest in the cabinet the power to change the business of Ontario Hydro. This section amounts to a delegation by the Legislature to cabinet of the power to change the scope and objects of the Power Corporation Act.

In my presentation, which I have handed out, I refer to certain comments of former Chief Justice McRuer of the High Court. I will leave those to you, in the interests of time. I would note also that I am aware that the minister has introduced certain modifications to this section, but what we have is the first reading copy of the bill and we are really reacting to and commenting on the first reading copy of the bill.

As practising lawyers, we have an additional objection to section 6. Ontario Hydro is a creature of statute. It can only do what it has been authorized to do. Until Bill 118, that body has been the Legislature, and lawyers seeking to know whether Ontario Hydro has the necessary authority for a particular action have needed only consult the Power Corporation Act.

This is the concept of *ultra vires* which we hear so often in the constitutional debate that is going on. It also applies to corporations created by a statutory charter and which do not have the powers of a natural person. If policy directives are permitted to expand the scope and objects of Ontario Hydro, people dealing with Ontario Hydro will have to consult these directives. This surely will be an unsatisfactory and confusing situation.

The Canadian Bar Association—Ontario is also concerned about section 9, which divests the president of certain authority and confers it on the chair retroactively to September 5, 1991. For nearly eight months, Ontario

Hydro has had one form of organization in law while purporting to implement another in fact. This unsatisfactory situation has resulted from the misuse of retroactive law-making.

These comments are intended to elaborate on our written brief to the Minister of Energy, copies of which were also made available to the clerk, as well as this presentation. We would be pleased to answer any questions the committee may wish to put to us.

**The Chair:** Interesting comments and observations. Mr Arnott? Mr Jordan.

**Mr Jordan:** Thank you very much for your presentation and interest in Bill 118. We as a party are concerned in that the Power Corporation Act as it now stands, subject to amendment by Bill 118—it is our understanding that this is still in effect, yet we have been presented with a revised demand-supply plan to go before the Environmental Assessment Board based on Bill 118 being part of the Power Corporation Act. How do you view the presentation of a demand-supply plan before an environmental hearing when its parts are dependent on the implementation of Bill 118 which has had only first reading?

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**Mr MacOdrum:** That was not a matter addressed by the committee and did not go through the approval process, so I would really not be in a position to speak on behalf of the Canadian Bar Association—Ontario on that matter. I think you should consult your own legal advisers on that.

**Mr Jordan:** You do not have a personal opinion on it?

**The Chair:** He has indicated he is not in a position to speak for the bar association.

**Mr MacOdrum:** I have the situation where I will be appearing later on behalf of Toronto Hydro because I also happen to be the general counsel of Toronto Hydro. Perhaps you might raise that with me then.

**Mr Conway:** Lawyers are like cabinet ministers; they are not paid to have personal opinions.

**The Chair:** Why did you not tell me that 17 months ago?

**Mr Huget:** With regard to section 6, you mentioned amendments and there are amendments forthcoming. If the issue of those amendments clarified the policy directive section of the bill, would you be satisfied with that; in other words, so that we cannot use Ontario Hydro to buy the SkyDome or build an amusement park or the types of things that have been attributed to that policy directive issue that is in the bill?

**Mr MacOdrum:** I think we would like the opportunity to take a look at those amendments and then we would be in a position to comment on them.

**Mr Huget:** Could you clarify section 9 a little bit for me, not being a lawyer? Could you put that in the sort of terms that a non-lawyer can understand, or your views in your brief here?

**Mr MacOdrum:** The most common form of retrospective legislation that a member of the Legislature is

likely to encounter is on each budget day, when legislation is brought in and the Treasurer stands in his place in the House and says, "Effective tonight, we are bringing certain taxes" and matters like that. The public interest reason for that is of course to prevent speculation and profiteering as a result of the changes in taxes. Clearly the need for retrospective legislation is recognized on those kinds of occasions.

However, generally speaking, retrospective legislation is not considered good statute-making. The legislation should speak as of the day it actually passes the Legislature or the day it is proclaimed by the Lieutenant Governor in Council, or often the legislation reads "at a day to be proclaimed later," and it should speak as of that day. In other words, legislation should speak prospectively. People should be affected by legislation after it is passed, not be affected by and have their rights changed while the Legislature is still debating it. It is offensive to the democratic principle, except where it is necessary for some overriding public interest purpose, such as in the case of tax legislation to stop speculation or profiteering.

Clearly this situation where we have had the powers of the president stripped from him in law as chief executive officer and yet the bill has not been passed is unsatisfactory. The Power Corporation Act nowhere explains what the authority of the chief executive officer is. What assumptions are people to make regarding documents, contracts and other documents signed by the president or signed by the chairman, or should they be signed by both? Who has the authority to make organizational change? I understand there has been major organizational change in Ontario Hydro recently. Is that organizational change the prerogative of the chief executive officer, and what was the authority for that, given that Bill 118 has not been passed? What if Bill 118 is never passed in the present form? What was the authority for these actions? Surely that is an unsatisfactory situation. As lawmakers, for you to put Ontario Hydro or any organization—it does not necessarily relate to Ontario Hydro, but any organization. It is not an appropriate use of retrospective lawmaking. That is basically the point.

**Mr Huget:** Okay, thank you.

**Mr Conway:** Thank you very much, Mr MacOdrum and others at the Canadian Bar Association—Ontario. That is a very specific presentation. The last point is a good point around section 9.

You do not need to comment, because this is more rhetorical than interrogative, but what is one to do when one has a triple A power struggle? I mean, these things are not as neat and clean as we would like them. I think most people most of the time would agree with you about retroactivity. It is a very serious matter.

I chuckle a bit, because every time I see the late, sainted J. C. McRuer I am reminded that it was one of his pals 57 years ago who was minister for Hydro and Minister of Justice for the province, who brought forward legislation—the so-called Power Bill of 1935—where he sought to cancel a series of contracts which the Justice minister must have known was, as the Court of Appeal found a few years later, ultra vires of the province. Then they stuck into the bill a provision where Hydro would be

unattackable in the courts for same. So we have a history in this province of some of the most rich Hydro legislation, some of it brought forward, I must say, by some very sainted members of our legal community. That is a bit of history, but it is useful, I think, to recall.

**Mr MacOdum:** I might just observe, Mr Conway, that when I was wearing another hat, different from either of the ones I am wearing today, that is, when I was a senior public official with the government of Ontario, I carried on discussions with the government of Quebec regarding Hydro contracts and Hydro purchases and speculations about what that might be. They raised Ontario's past practice with respect of cancellation of Hydro contracts.

**Mr Conway:** I raise it as well, because when one looks at Mr Roebuck, one of the things that strikes me is that Arthur Roebuck, for all his talents, was a fanatic on the Hydro question. He led the government of which he was part—a Liberal government, I might add—into some of the most outrageous public policy that we have ever seen. So fanaticism on the Hydro question always gives me some real concern. Now, we do not see any fanaticism these days around Hydro, happily, because the debate is always dispassionate and very evenhanded.

More important is the question about the directive power. You raise a very good point. I appreciate what you have said. You are just commenting on the bill as originally introduced, and I appreciate that. One of the concerns I have, and I do not know whether you would care to comment on this, because you may feel uncomfortable, but for me one of the most interesting developments in recent years is what I call the Elliot Lake order in council of June 5 or 6, 1991. Have you had a chance to look at that?

**Mr MacOdum:** I have, personally, sir, but it is not something that has been reviewed by the natural resources and energy section of the Canadian Bar Association—Ontario.

**Mr Conway:** The minister has recognized that the bill, as originally written by whomsoever—I would never be so bold as to speculate who might have written the original bill, but clearly section 6, as originally written, was dangerously, mischievously expansive in a way that clearly cabinet, once it understood what was intended, quite understandably retreated from, and we are going to see an amendment to contain that.

The current government views the Elliot Lake matter, as dealt with in that order in council, as falling within the normal mandate of the Power Corporation Act as amended by Bill 118. My question remains: Am I just being a cynical oppositionist in imagining that the order in council is perhaps more expansive than the way previous governments or previous Hydro boards have interpreted that directive power?

**Mr MacOdum:** That is a matter which would require quite careful research, as you can imagine, Mr Conway, and that is not something we have done.

**Mr Conway:** Thank you.

**The Chair:** With that, we say to the Canadian Bar Association—Ontario, thank you for your obvious interest in this and in so many other matters that the CBAO visits

in terms of assisting the Legislature. We appreciate your interest, we appreciate your coming today and we thank you.

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JAMES SHANTORA

**The Chair:** Mr Shantora, please come forward and have a seat. Tell us what you will about yourself and then proceed with your comments. Please try to keep them brief so we have time for conversation and questions.

**Mr Shantora:** My name is James Shantora. I appear before you in the capacity of a concerned consumer of electric energy. I have direct interest in Bill 118. My wife and I purchase electricity directly from Ontario Hydro to our cottage and we purchase electricity from the Scarborough Public Utilities Commission for our home in Scarborough.

I am concerned about the availability and reliability and the continuing supply of affordable electric energy. Electricity should be plentiful and affordable because it is a necessity of life like fresh water and air. Should any committee member have doubt about the truth of this, I would respectfully suggest that they pull their electric main in their apartment or home and leave it off for 24 hours and they will see.

What Ontario Hydro is, how it is managed and operated and what policies it follows directly impact on the price and universal affordability of electrical energy. Last summer, the chairman of Ontario Hydro announced that the price of electricity in Ontario would be going up by 44% over the next three years. For 1992, Ontario Hydro increased the price of electricity by 11.8% on average.

We had just been through a municipal election, and in the city of Scarborough we had an opportunity to elect the members of the Scarborough Public Utilities Commission. An elector in a free and democratic society has a right, I suggest, to expect that his or her elected representative, specifically a person elected to the local electric commission, would be effective in his or her ability to look after and attend to some of the concerns that I have just expressed, namely, electricity availability and reliability and affordable pricing.

The astonishing fact is that all these elected commissioners in Scarborough can be held accountable for is 14 cents of every dollar that I pay on my electricity bill. The other 86 cents is paid by the Scarborough Public Utilities Commission to Ontario Hydro for the purchase of bulk electricity. The elected Scarborough Public Utilities Commission can effectively do nothing but pass on to its customer Ontario Hydro's 11.8% increase. I as a customer have absolutely no right under existing legislation to require Ontario Hydro to account for the cost-effective or efficient use of my 86 cents that is indirectly passed on to Ontario Hydro by my local electric commission, or even the money that I pass on to Ontario Hydro directly at my cottage.

There are over 300 municipal electric utilities in Ontario, most of which are elected. Compare this situation to the supply of other utilities, such as gas or telephone, where the services and prices are regulated by regulatory tribunals, where the process is open, where the public can attend

as a right, make its concerns known and influence the outcome.

Let me put the cost of electricity and the lack of consumer control over it into perspective. The average home in Scarborough pays more for electricity on an annual basis than it pays to the city of Scarborough for the city's share of municipal taxes. The political career of the mayor or city councillors would be very short if city taxes were to increase 11.8% or if there were even a suggestion that municipal taxes might increase even a fraction of the 44% Ontario Hydro's electricity rates are promised to increase over the next three years.

The existing municipal election process for the electric utility commissions and the municipal electric commissions, elected or appointed, does not give the elector/consumer the right he or she should have over the generation, supply and pricing of electricity. Bill 118 does nothing to address this shortcoming.

I have heard it said that Ontario's growth as the industrial centre of Canada has been due to the abundant, reliable and affordable supply of electricity. Even if that statement was only partly true, should the government not do everything possible to at least maintain the competitive edge by ensuring our industries continue to enjoy affordable electricity? Only if our industries can be competitive will we be able to maintain the established industrial base and maintain the jobs that are there.

Given these and other concerns, I have looked at Bill 118 to see to what extent these concerns might have been recognized. I was thoroughly disappointed.

In the classification of organizations—government department, crown corporation and private enterprise—Ontario Hydro is not a crown corporation. I say again, Ontario Hydro is not a crown corporation. It is also neither a government department nor a government agency. The public has been led to believe that Ontario Hydro is a crown corporation. Some ministers of the crown have referred to it as such. The press often refers to it as such.

Ontario Hydro is a municipal cooperative. It was established by a handful of municipalities to bring to the ordinary citizen the benefits that affordable electricity could bring. What is also important to recognize, and is not recognized by Bill 118, is that Ontario Hydro is a regulatory tribunal like the Ontario Energy Board. Ontario Hydro regulates the electrical energy rates charged by the various electric commissions to their customers. As previously mentioned, there are over 300 such local electric commissions. Ontario Hydro is also a self-regulating body of its own electrical rates.

In 1971 Task Force Hydro, a royal commission, looked at Ontario Hydro's structure, functions and activities. Suggestions were made that Ontario Hydro's regulatory authority be transferred to the Ontario Energy Board and that Ontario Hydro remain as a producer and distributor of electrical energy only. Some very good reasons were advanced for this suggestion: elimination of an inherent conflict of interest, and public accountability.

The suggestion was not accepted. What did follow was for Ontario Hydro to continue with its regulatory and self-regulatory functions, but its announced electricity rates

would be reviewed by the Ontario Energy Board. This annual ritual of Ontario Hydro rates being merely reviewed by the Ontario Energy Board is patently a useless, time-consuming and costly exercise serving no practical purpose. The cost of this whole exercise is borne by Ontario Hydro and is passed on as a cost of power to the electricity customer. Bill 118 does nothing to address a flawed, inefficient and ineffective regulatory process.

What does Bill 118 purport to do? The pith and substance of Bill 118 is to make Ontario Hydro a government department. Let us look at the prospect of Ontario Hydro becoming a department of government. At the present time a large department in government is one that contains about 3,500 employees. The Ministry of Energy, I understand, is about a 10th of that size. Ontario Hydro has approximately 30,000 employees, which is about one third the size of the total government civil service.

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The objective of a government department like the Ministry of Natural Resources or the Ministry of Transportation is to generate and collect revenue for government. This is implicit in Bill 118 as the role for Ontario Hydro as well.

What Bill 118 would effectively do is destroy the principle of power at cost, a principle that has made electricity affordable to all Ontarians and has given Ontario industry a competitive edge. Electrical energy will not be affordable if Ontario Hydro should become a revenue source for the government. The bill will destroy the existing regulatory board, flawed as it might be, and substitute a mechanism whereby electricity rates would be artificially increased at the whim of the provincial government, relative to the fiscal needs of the government for social programs.

Bill 118 does nothing to eliminate the useless waste of time and money of referring proposed Ontario Hydro rates for rate review by the Ontario Energy Board. What it does do is destroy my heritage, and yours, of Ontario Hydro, the trustee. The government does not have to possess or own Ontario Hydro as a government department to have Ontario Hydro carry out government policy of general application, such as pay equity, minimum wages, safe working conditions, and sulphur dioxide and nitrogen oxide emissions or other environmental concerns.

You have heard what it does not do. My recommendations for what it ought to do are:

1. Get government out of the electricity production, distribution and price-setting arena and ensure that Ontario Hydro, while continuing as a municipal cooperative, operates at arm's length from the government.

2. Ontario Hydro's regulatory functions should be transferred to the Ontario Energy Board.

3. The sale price of the electricity supplied by Ontario Hydro or by a private or government entity should be regulated and set by the Ontario Energy Board in the normal regulatory process and under the same general rules and practices that are applied by the Ontario Energy Board to the regulation of rates and activities of gas companies.

4. The price of water power that the Ministry of Natural Resources charges to Ontario Hydro, or other water- or land-related fees, should be set and regulated by the Ontario

Energy Board. Any other fees or charges that the government exacts from Ontario Hydro should also come under the full Ontario Energy Board regulatory authority.

5. Government red tape relating to government approvals respecting Ontario Hydro's activities should be eliminated. Any approvals that might be deemed necessary in the public interest should come under the jurisdiction of the Ontario Energy Board.

6. The government should establish a nominating committee from among the elected members of the municipal electric commissions, and the nominating committee would select the members that would comprise the Ontario Hydro board, ensuring the broadest representation of regional views and talents.

7. The members of the Ontario Hydro board should be selected from among the elected municipal electric commissions. The chairman of Ontario Hydro should be elected by the Ontario Hydro board from among its members.

8. The remuneration of the Ontario Hydro board members and of the Ontario Hydro chairman should be set by the Ontario Hydro board. The remuneration so established by the board should be made public and be reviewable by the Ontario Energy Board during the rate-setting process.

9. The local operation and distribution of electricity should be made more cost-effective and efficient.

10. Enable the local municipal commissions to purchase their bulk electricity needs from any source of supply and not just Ontario Hydro.

11. Enable purchases of bulk electricity from other than Ontario Hydro to be wheeled over Ontario Hydro or any other electric utility's transmission lines, on terms and conditions and at rates as determined by the Ontario Energy Board.

12. Since the economy and the consumers of electricity cannot afford the arbitrary 11.8% increase in the price of bulk power set by Ontario Hydro for 1992, Ontario Hydro should be required to roll the price back to 8.9% immediately. The cost savings are to be passed on to the ultimate electric customers. The actual rate for 1992 should be determined by the Ontario Energy Board, and it might be higher or lower.

I can summarize these 12 recommendations by the simple statement that the committee should be unanimous in its recommendation to the government that Bill 118 or any other piece of legislation that might represent the policies this bill represents should not be proceeded with. Having no bill is better than Bill 118.

**The Vice-Chair:** Due to time, I am going to allow one quick question from each caucus.

**Mr Hugert:** You mentioned in your presentation that, among other things, you do not feel there is decent representation on the board of Ontario Hydro. We expanded the board from 17 to 22 members to do exactly that. That has made a better cross-section of representatives on that board. Is that enough, or are there other suggestions you would have?

**Mr Shantora:** Put the regulatory control under the Ontario Energy Board. As far as the representation of the

board is concerned, as I have suggested, pick them from among the elected commissions.

**Mr Hugert:** In your view, the commissions represent the consumers?

**Mr Shantora:** I believe the commissions are a better representation of consumers because the members of the commissions are elected by the people. I think the commissioners have a better pulse of what is going on in the community. As I said, electricity in my opinion should be as affordable as fresh air and water. I think that is what the local consumer wants.

**Mr Conway:** This is quite a stimulating presentation. Scarborough is becoming a more radical place than the Scarborough I used to know. This may be altogether a good development. There are so many places here where I would like to start some questions, but I am very cognizant of the time. I have one two-part question. Given your hands-off policy, what I think I hear you saying is that other than those elected PUC commissioners, the rest of the politicians would do well just to stand back and keep their hands off.

**Mr Shantora:** Ontario Hydro is a large organization. It provides a specialized service, and you ought to select people who understand that particular service.

**Mr Conway:** I am going to specifically ask you then, should the provincial politicians back away from their age-old guarantee of the Hydro debt, the Hydro financing, which has always brought cabinets at Queen's Park closely into line with whatever is going on at Hydro? You are aware that since the beginning the province has guaranteed or stood behind Hydro borrowing.

**Mr Shantora:** Yes, and charges some fee for the guarantee as well.

**Mr Conway:** Should the province back away from that and get out of that business? Second, given the complexity of a modern society where there are a lot of stakeholders outside of the ones you have mentioned—the ones you have mentioned are obviously very important—how does the Legislature deal with the environmental questions that are going to obviously attach everywhere to Hydro policy locally and generally in the 1990s and beyond?

**Mr Shantora:** I have almost forgotten the first question.

**Mr Conway:** Whether or not the Legislature should be involved at all with Hydro financing; whether we should bother to offer a guarantee.

**Mr Shantora:** I do not think that guarantee is necessary. I can appreciate that the amount of funds Ontario Hydro may borrow may very well approximate the amount the province may borrow. Perhaps there ought to be a co-ordination between the two as to when they enter the market field. As far as the financial regulation of Ontario Hydro in terms of the borrowing, it attempts to regulate itself at the present time. I do not see why it cannot be regulated by the Ontario Energy Board. If there are some general policy directives that must be provided, I would expect that the Ontario government would establish these in legislation so that anybody can see what is required.

In terms of the environment, I have forgotten what it was you asked.

**Mr Conway:** I am reading your brief and I am impressed by a lot of what you have had to say, and then I try to imagine this world that your brief suggests. I am trying to think about all the environmental interests that are going to be stimulated if not otherwise affected by your new world and how they are going to be accommodated. I have a feeling that a lot of those environmental interests are going to come to the Legislature for some redress.

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**Mr Shantora :** I do not see the environmental problems. If the Legislature sees environmental problems in terms of CO<sub>2</sub> emissions, in terms of noxious gas emissions, you have your Environmental Protection Act. All you have to do is to put the regulation in place and then it is binding on everybody.

There is nothing spectacular in terms of the kinds of emissions Ontario Hydro is going to produce. If you are talking about nuclear, that does not come under the province; that comes under the federal government, so you are going to be talking about smokestack emissions and you are going to be talking in terms of sulfides and carbon dioxides. Surely there are other industries, perhaps not as large as Ontario Hydro, but perhaps smelting industries, that are going to put more pollution into the air than Ontario Hydro ever would.

**Mr Conway:** I was thinking about the damming of the creek at your cottage.

**The Vice-Chair:** Thank you, Mr Conway, but we are way over our time now. Mr Jordan would probably like to ask a question.

**Mr Jordan:** Thank you, sir, for your excellent presentation. You have referred to the 14% that your elected officials can actually govern on the utility. I assume you also realize that the municipal politicians in Scarborough can possibly govern about 20% or 21% of the taxes they collect. The rest is regulated, preassigned before they are even elected by the senior government. That is the condition we find ourselves in.

**Mr Shantora:** As I understand it, for the streets they have full jurisdiction; for the zoning they have full jurisdiction in terms of putting forth the plan. It may well be that there is an appeal procedure at the Ontario Municipal Board and it may well be that the Ontario Municipal Board may overthrow the decision of the local authority, but we do not have that with the Scarborough Public Utilities Commission.

All they can argue about or look after is the 14 cents. When I go to them and say, "Why does my Hydro bill go up by 11.8%?" they say: "Well, what can we do? That is the amount that we were billed." True enough, when I look at the distribution of the dollar that they get from me, 86% goes to Ontario Hydro, and there is nobody who can influence Ontario Hydro, presumably, not from Scarborough.

**Mr Jordan:** I think you have made some excellent recommendations in that area in your 12 points of sum-

mary. How do you feel about the makeup of the Ontario Energy Board?

**Mr Conway:** What did you think of Bob Macaulay?

**Mr Shantora:** A great person.

**Mr Conway:** I agree, and very interesting.

**Mr Shantora:** An experienced individual. We have judges who are appointed. Presumably, they are appointed on the basis of their experience. I expect that the energy board members will probably expand it and that the government of the day will pick individuals who have the background to handle the kinds of problems and issues that come before it. Those members are appointed for a limited duration. There will be a turnover of expertise in the Ontario Energy Board.

**Mr Jordan:** Are you satisfied that they should be appointed?

**The Vice-Chair:** Thank you, Mr Jordan. I am sorry, but we are way over the time. I thank you for your presentation. As the Chair has stated before, the information will be flowing back and forth with you.

#### TORONTO HYDRO

**The Chair:** Good afternoon, gentlemen. Please tell us who you are and proceed with your comments. Obviously, you have noticed that the questions and dialogue are of great interest to this particular group of legislators.

**Mr Coyle:** My name is Bob Coyle, the chair of Toronto Hydro. We are pleased to have the opportunity to present the views of Toronto Hydro on Bill 118. Our legal counsel, Mr Bruce MacOdrum, will make the presentation. I just want to say that when Bruce made his presentation earlier with the Canadian Bar Association, he was on his lunch hour from us.

**Mr MacOdrum:** Thank you, Mr Coyle. The Toronto Electric Commissioners, more commonly known as Toronto Hydro, has three areas of concern with Bill 118 as it was introduced in the Legislature. Our three areas of concern are as follows:

1. The granting of the power to cabinet to issue policy directives to Ontario Hydro beyond objects set out in the present statute related to the supply and use of electricity is inappropriate. It also weakens the authority of the Legislature to make changes in the Power Corporation Act in this important area.

2. Bill 118 requires Ontario Hydro to implement policy directives beyond the objects of the corporation as stated in the Power Corporation Act and requires Ontario Hydro to include the cost of such implementation in the costs of power. It is unfair to expose electricity customers to the costs of activities unrelated to the supply and use of electricity in their electricity bills.

3. Bill 118 would permit Ontario Hydro to financially assist the conversion of electric heating installations to non-electric applications such as natural gas. This provision is unnecessary. Consumers who live in areas where natural gas is available already benefit financially by converting to natural gas as a result of the lower cost of natural gas energy. Further subsidy from the electric customers,

many of whom live in areas where gas is not available, is unnecessary and unfair.

I would just like to briefly comment on the circumstances of Toronto Hydro which lie as background to our views on Bill 118. Toronto Hydro is the largest municipal electric utility in Ontario. It serves approximately 235,000 customers in the city of Toronto and has a peak demand of approximately 1,600 megawatts. It was established by an act of the Ontario Legislature in 1911 and continues as a body corporate under the City of Toronto Act and the Public Utilities Act. It is governed by five commissioners, two of whom are city councillors, two of whom are appointed by city council and a fifth commissioner appointed by Ontario Hydro. It purchases all the electricity it uses from Ontario Hydro.

Toronto Hydro is under great cost pressures as a result of embarking on the largest capital program in its history to literally rebuild large sections of its distribution network. This program has already resulted in rate increases to customers in the city of Toronto larger than those in other parts of Metropolitan Toronto. Faced with these increases in its own costs, Toronto Hydro is concerned that the cost of electricity supplied by Ontario Hydro be kept as low as is reasonable to permit Ontario Hydro to fulfil its essential task of the reliable supply of electricity.

As I mentioned, we have three concerns. Our first relates to the scope of the policy directives. I would briefly like to comment on our second concern, which is the cost impact of incorporating the cost of doing things beyond the current scope of the legislation in the cost of power.

Our second area of concern is that section 7 of Bill 118 takes the objectionable sections 2 and 6 one step further and provides that the cost of power Ontario Hydro may charge its customers, such as Toronto Hydro, shall include the cost of implementing these new policy directives.

When the electricity customer receives an electricity bill from Toronto Hydro, the customer believes the charges are necessary for the supply of electricity. The government should not be permitted to bury its revenue needs in the cost of electricity by requiring Ontario Hydro to undertake some new activity not related to the supply and use of electricity. Such practices would be confusing and costly to the electricity customer. It is also unfair to determine a taxpayer's contribution to such programs based on his or her consumption of an essential product such as electricity.

Our third concern arises from section 4 of the bill, which permits funding by electricity customers of conversions to a non-electric form of heating. Natural gas, not electricity, is the major form of energy used for space heating in Ontario. Wherever it is available, it is cheaper to use. Much of the recent installation of electric heating was undertaken by government agencies seeking to minimize initial capital cost even though such installations would result in significantly higher future operating costs.

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Market signals have encouraged and will continue to encourage consumers to make the appropriate choice of energy to heat their homes. In a few cases, consumers may have particular health or personal reasons that require the use of a more expensive type of energy to provide the

unique features only available through electric heating technologies.

The government should not try to distort market signals. In the early 1980s the federal government, with the assistance of the provincial governments, offered grants to consumers to convert from oil to natural gas and electricity. This was done because of the significant increases in the price of oil and the perceptions of future oil shortages.

Now, conventional wisdom is that to defer the building of new electrical generation, consumers who may have converted to electricity with the aid of a government grant in the early 1980s should be encouraged by a subsidy from the electricity customer to convert to another type of energy. A lesson of the 1970s and 1980s is that we have very limited capabilities to predict future energy prices, particularly the timing of price changes and relative energy prices. The experts, whether in business, governments or universities, have been wrong as often as right. This is because of the complexity of the international, regional and local factors which interact in determining energy prices.

Electricity customers should not have their bills increased to subsidize other customers' use of a cheaper form of home heating fuel based on today's conventional wisdom of energy supply and prices.

The issues I have commented upon are in the Toronto Hydro submission to the Municipal Electric Association which was provided to the Minister of Energy shortly after Bill 118 was introduced. I believe you also have copies of the complete presentation I have summarized today, and with that I would be pleased to answer any questions.

**Mr Conway:** Thank you, Mr Coyle and Mr MacOdrum. I find this a very interesting presentation, with which I find myself in substantial agreement, but I just have a couple of quick questions. Are you really constituted, as page 3 suggests, five commissioners: two from city council, two appointed by city council and one appointed by Ontario Hydro?

**Mr Coyle:** Correct.

**Mr Conway:** Is that a function of your legislation in 1911?

**Mr MacOdrum:** It is a function of our legislation from 1911.

**Mr Conway:** I do not want to take up valuable time.

**Mr MacOdrum:** This is a slight simplification. The mayor is a member of the commission by right, but the mayor by the amendments to the legislation is permitted to appoint another councillor. It was changed from three to five in an amendment to the City of Toronto Act, 1981.

**Mr Conway:** It is very interesting because I still have Mr Shantora's presentation ringing about my head and I am thinking of what he suggested.

**Mr MacOdrum:** There are a number of appointed hydroelectric commissions: Toronto, Ottawa.

**Mr Coyle:** Hamilton.

**Mr MacOdrum:** I believe a number of the regional governments are.

**Mr Conway:** I am aware of that, but just to see it in bold print like that is to remind me of how varied is the structure of local commissions across the province. Now to my main question: I find a lot of what you say quite attractive, particularly around the difficulties in trying to predict the intermediate and long-term energy situations, as you indicated on page 10. Our experience there is largely as you have described. My question for you "hydro-philic," to use that wonderful phrase in the morning paper, is that if I wanted to agree with you, what is to comfort me against the fact that essentially you hydrophiles are simply going to continue on as you have in the past, insensitive to the great opportunities in demand management and buying into the kind of technocratic wonders of high technology, whether nuclear power or whatever.

**Mr MacOdrum:** I would like to answer, Mr Conway, but I do not understand your question. I will try, nevertheless.

**Mr Conway:** I am looking at your brief and I find a lot of it quite attractive. But the other side of this argument—and we are told it repeatedly—is that the difficulty with the people who sit on the commissions—not totally, but largely—is that there is a real hydro establishment. They mean well and they try hard, but a long time ago they just settled into a groove from which there is no escape. They see only one kind of future and it is on the supply side; it is not on the demand side. They do not understand the opportunities that are out there in demand management.

**Mr MacOdrum:** If I can help you with that, Mr Conway, from 1980 to 1988 I was a senior official with the Ministry of Energy, ending up as assistant deputy minister for energy policy. We obviously had concerns and we had a major conservation program under way even before those major price shocks of 1979-80. We are of course endeavouring to encourage the widest possible takeup of conservation programs, including, but through, the municipal electric utility.

Since the late 1970s Toronto Hydro has been a leader in the delivery of energy conservation programs like our home audit program; we have been vigorous in the delivery of energy management programs and are strongly committed to them. They are as much a part of our customer service as the delivery of the electricity. Therefore, we are very committed to that part of our activity.

**Mr Arnott:** I have one brief question. You talk about the issue of legislative authority over Hydro, and reading from your comments, I guess that Ontario Hydro, as a result of Bill 118, will be less accountable to the Legislature itself; is that correct?

**Mr MacOdrum:** I do not think we say that in our brief, sir.

**Mr Arnott:** I am reading that into it, I guess. More accountable to the executive and less accountable to the—

**Mr MacOdrum:** I prefer not to use the word "accountability." Looking at Mr Conway, I have debated the meaning of "accountability" in this room many times in relation to Ontario Hydro. I really do not think Bill 118 addresses the issue of accountability. I think it addresses the issue of policy direction—

**Mr Arnott:** Authority.

**Mr MacOdrum:** —and responsibility, but if anything it blurs the issue of accountability.

**Mr Arnott:** Do you expect there will be any reason for this government to bring forward another Hydro bill throughout the course of its mandate, after it gets the power that it wants in Bill 118?

**Mr MacOdrum:** You are asking me to read the government's mind. I cannot do that, sir.

**Mr Jordan:** Thank you for your presentation. Is your commission in favour of uranium-fired steam plants?

**Mr MacOdrum:** Uranium-fired steam plants?

**Mr Jordan:** Yes.

**Mr MacOdrum:** We purchase electricity from Ontario Hydro and we distribute it within the city of Toronto. We do not generate electricity.

**Mr Jordan:** Yes, I realize that, sir. Are you in favour, was my question.

**The Chair:** Mr Waters, please.

**Mr Waters:** I keep hearing "accountability, accountability" from different presenters. One of the things I am curious about is, do you feel it is government's place to tell Ontario Hydro where it can make a saving to the people of the province of Ontario or that it should run more efficiently? Do you think that is our place? Without Bill 118, we seem to have a problem in saying some of these things, such as: "These are the directions in which we want you to go. We want you to run Ontario Hydro like a business; we want you to be efficient and conserve and make good business decisions." Do you think we should be doing that?

**Mr MacOdrum:** Mr Waters, if I might be allowed to share a thought with you that I had when the previous government introduced the amendments permitting policy statements, my thought was—and I have the same views with Bill 118 and I am sure my chairman is not going to appreciate me getting into a quasi-political observation—that was the kind of bill a government would bring in if it was thinking it was going to be only one term in office.

The reason for that is that once you have your own board of directors there, and you have the people you want in the corporation, if you have appointed good people in whom you have confidence, you are going to want them to get on with the job. You are not going to want to have questions every day in the Legislature—when a farmer was not compensated properly for a transmission line, give Ontario Hydro a direction to pay farmer X or Y more. You only put in this kind of legislation where you have to have these policy directives. It is only necessary if you do not have confidence that the board of directors that has been appointed will carry on business in a businesslike manner and a manner that you are comfortable with, so that is why I suggested it is sort of a first-term type of bill.

I have pointed out in this room on many occasions that for any government that wants to make Ontario Hydro accountable, there are a myriad of opportunities in the Power Corporation Act. Any major thing that Ontario Hydro wants to do, the signing of major fuel contracts, the approval of new facilities, be they transmission lines or

generation facilities, all require the approval of the Lieutenant Governor in Council, ie, cabinet, so there are plenty of opportunities in the legislation as it stands now for Ontario Hydro to ensure that what it wants to do is in keeping with government policy.

**The Chair:** Thank you, gentlemen. We want to thank Toronto Hydro for its interest, for coming here this afternoon. I trust that you will keep in touch.

We also want to thank Toronto Hydro for letting Mr MacOdrum spend his lunch hours working with the Ontario bar association. Take care.

**Mr MacOdrum:** Thank you.

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#### COALITION OF ENVIRONMENTAL GROUPS

**The Chair:** The next participant is the Coalition of Environmental Groups. This is David Argue.

**Mr Argue:** That is right, sir.

**The Chair:** There has been a well-written brief that has been distributed. You can read it, if you wish, but if you do that, as compared to highlighting the points you want to make, you are going to use up all the time that could be far more productively spent dialoguing and, on occasion, debating with the people here.

**Mr Argue:** We are in agreement, Mr Chairman.

Mr Kormos, members of the committee, my name is David Argue, and for the past nine years I have worked with Passmore Associates International. My consulting work is primarily related to utility planning and economic analysis.

The last time I appeared before a legislative committee was in 1988, when Passmore Associates was acting as principal consultants to the select committee on energy during its review of Ontario Hydro's demand-supply planning strategy.

In December of this past year, Passmore Associates was engaged by the Coalition of Environmental Groups to answer the following question: What are the economic and environmental implications of fuel switching in Ontario?

This past Thursday, we were asked a further question: What are the potential rate impacts on municipal utilities if fuel switching leads to declining sales?

Through that, I have put forward before you—and the clerk has distributed—two documents, one of which is bound, the Economic and Environmental Implications of Fuel Switching, and the second one, which is just stapled in the corner, entitled Addendum: Impact on Electricity Rates. I only intend to very briefly scan the results of this investigation.

Our investigation concluded that between 1975 and 1991, electrically heated households were billed a total of \$8.94 billion, in 1991 dollars, for basic heating services. If these households had used natural gas where available, and oil in those areas without natural gas, they would have saved \$3.9 billion, in 1991 dollars, over the same time period.

Electric heating is by far the most damaging to the environment, and we have prepared calculations and present them in the report for you to consider.

We found that fuel switching was a win-win proposition for the environment, consumers and Ontario, and that for all ratepayers, not simply those who would benefit from incentives in a switching program, the benefits would be between two and five times better than building new central generation facilities.

I would like you to look briefly at a graph that I have provided on page 3 of our main report, the economic and environmental implications. That graph displays the costs, the bills, those things that people get from time to time to pay to their utilities or their provider of fuel for basic heating services. It shows that from 1975 through 1991 there was a persistent price advantage to oil and natural gas. Regardless of this, there has been a market failure and there is a considerable portion of the home heating market on electricity.

I would like to share with you a quote from the former Ontario Hydro chairman and president, Robert Franklin, and this is what you are really looking at here. It is a question of either looking at our neighbours who are on electric heat and making an investment with them or, in turn, having Ontario Hydro make an investment. This is what Mr Franklin suggested in a speech last fall: "If a builder installs 15 kilowatts of electric heat in a house in Ontario, Hydro has to spend over \$50,000 to build the capacity to keep that house warm. This is not a cheap heating system."

In this report I have also gone through a considerable section on the pervading reasons for market failure and why there is a requirement for investment in the fuel-switching option. I would like to turn briefly to the addendum, the impact on electricity rates, on which you have had some discussion this afternoon with previous presenters. What we took a look at in this particular report is, again, the whole question of rates and bills, and for that I have attached what I think is still one of the best pieces written on this section. It was written by Jim Litchfield from the Northwest Power Planning Council in the United States for the former Liberal Minister of Energy, Robert Wong, in the Electricity Planning Technical Advisory Panel.

The second part of this addendum takes a look at municipal utilities, how much of the costs of electricity provision comes at the local level and how much from Ontario Hydro. What I did was simply compare how much sales would have to drop for these municipal utilities in order to equal the impact of a decline in sales to the municipal utilities resulting from a fuel-switching program. Basically, what this shows is that local sales would need to decline by between 34% and 64% in the utilities that we examined before it would have a greater impact on what people pay for their electricity than what they have experienced with the 11.8% increase in the wholesale cost of power this year.

Those are my submissions and I look forward to members' questions.

**The Chair:** Thank you, sir. Mr Arnott, Mr Jordan.

**Mr Jordan:** You quoted Mr Franklin, I believe. Do you have any breakdown of the \$50,000?

**Mr Argue:** That is, I believe, based on the cost of the Darlington nuclear generation station. I go on to suggest that perhaps he has overemphasized what it costs Ontario Hydro and I come up with a slightly lower figure than his.

**Mr Jordan:** Do you have a strong feeling for or against a uranium-fired boiler to create steam for generation?

**Mr Argue:** My primary position as an economist, Mr Jordan, is that we should be pursuing those options which offer the most cost-effective advantage. I do not hold any strong biases for or against particular forms. I have more concern about some and less concern about others.

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**Mr Jordan:** At our last meeting in Ottawa it was pointed out to us that nuclear generation produced power at about four cents per kilowatt, and for gas it was 8.9 cents. I do not have figures here with me, but I did look them up after the meeting in Ottawa when it was presented, and that is over the life of the plant.

**Mr Argue:** Right. I am not sure which particular figures you are referring to, but they would be close to figures that Ontario Hydro presented in its Update last week to the Environmental Assessment Board. What you have to remember is that they are still assuming that nuclear plants can operate 80% of the time, which as an economist I am beginning to question. To come up with those figures for natural gas generation, that would be for a peaking facility, which is a totally different sort of plant than a base load plant, which they are considering for nuclear, at 10% of the time.

**Mr Jordan:** Yes, I am speaking of base load plants.

**Mr Argue:** The figures for base load for natural gas that I have seen show a cost advantage to natural gas at this time.

**Mr Jordan:** I see. Then there are two sets of figures for this.

**Mr Argue:** That is right.

**Mr Jordan:** On the question of the demand-supply plan, Mr Franklin, in his letter to the municipalities and the people, said, "After five years of study, we are now in a position to present a plan to you the people that will cover perhaps the life of an employee's career in this organization." After five years of study, their research department, their environment department, their engineering, their technology, all the excellent departments that Ontario Hydro has within its own organization—they spent five years, and in five months we have a revised plan that to me depends partly on Bill 118 and has now been presented to the board as the new official plan. Would you comment on that?

**Mr Argue:** First of all, it has not come over the last five months. Ontario Hydro has moved back from the start of the hearing, which started a year ago last April, before there was a change in government, and those changes were simply all assembled at the end of this line in the Update that was released last week. The principal reason for this Update is that we have had not load growth but a decline in load the last two years, which requires an adjustment of

what your demands are going to be over that period of time.

The second thing I would bring forward to you is that Ontario Hydro, within its consideration of risks, its forecasting, still over the next 25 years has included provision for the fuel-switching program not to take place at all within its margins and its sensitivities in that situation. So the Update took advantage of a wide range of possibilities and still it came to that conclusion.

**The Chair:** Mr Huget.

**Mr Jordan:** If you listen, you will learn something.

**Mr Huget:** Thank you, Leo.

**The Chair:** Please, we have only a limited amount of time and if we interrupt, people will not be able to ask questions and people will not be able to give answers.

**Mr Huget:** I am interested in your \$3.9-billion figure in terms of what the consumer has paid. I have heard that referred to as a \$4-billion ripoff, and a ripoff to me means there has been some deliberate action. Could you explain that to me?

**Mr Argue:** I briefly covered some of the reasons why I think there is a market failure. Economists like to forecast, and one of my more interesting courses during my academic career was in how to have fun with numbers. If I forecast that my competitors' prices are going to go through the roof and I am going to achieve greater efficiencies in the future, I can make assertions that I am going to be the cost-effective option.

On page 9 I listed a few examples of the sort of information that has been put out to the marketplace by Ontario Hydro during the 1980s on the cost advantages of electric heating. I think that is a large part of the problem. There is a very tremendous information gap. People do not have a complete understanding of the costs of the various options.

**Mr Huget:** I am also interested in your chart, the addendum, that shows the percentage of local sales that would have to decrease and then the corresponding per cent of the local rate increase. If I read this right, are you saying for example that in Rockwood it would have to lose 51.4% of its load to be looking at that 10% rate increase?

**Mr Argue:** To be correct, the 10% refers to the percentage of the rate that is local. They would have to lose 51.4% of their load, and this would make the broad assumption that they are not going to make any savings in their local fixed costs from having to provide fewer kilowatt-hours, and that would equal the impact of the 11.8% rate increase that Hydro introduced this year in the wholesale rates.

**Mr Huget:** Is that the kind of thing you would expect to see happening overnight?

**Mr Argue:** No, not at all. This would be an effort equivalent to the building of a major power plant and would take several years to reach what I would consider to be a market saturation level.

**Mr Huget:** Could you briefly explain to me how it is, on the fuel-switching issue, that ratepayers are already subsidizing people who use electric heat?

**Mr Argue:** In order to have what I would consider to be a non-subsidized rate, there would have to be a level of computers and monitoring equipment in order to really trace where those costs are incurred by Ontario Hydro in order to provide that kilowatt-hours. There are definitely imbalances within those rate classes. Rates are an imperfect way of divvying up the costs, so there are some who benefit and some who do not. Certainly, from our investigation, people who are using electric heating are subsidized by the rest of the residential bucks.

**Mr Conway:** I just have to peruse this quickly. I am very impressed, and I am most impressed because I feel as though I have entered the promised land. This has a remarkable degree of symmetry with the chairman's presentation to the demand-supply hearing last week. You do not have to comment, but I am quite impressed with that happy coincidence.

I guess I have two questions. First, we heard a presenter in Ottawa last Thursday afternoon, no shrinking violet, Mr Goldsmith of Ivaco, a major manufacturer or steel fabricator in eastern Ontario. He made the comment at the end of his presentation that it was his view that a substantial amount of the demand management advantage was going to have to be won in the commercial and in the residential sector. Is that your view?

**Mr Argue:** No. I have done some consulting in industrial plants. There is a general view in plants that they are as efficient as they possibly can be. On the four occasions I have been involved in those areas, we have always been able to find cost-effective additions to the efficiency of their operation.

**Mr Conway:** Help me to understand this. We had three presenters, and I do not hold them out as any pattern but it certainly was a pattern last week. I am thinking of two in Timmins, one representing Inco and the other representing Kidd Creek, and then Mr Goldsmith representing Ivaco in Hawkesbury, L'Orignal. It seems to me that all those people said that in their operation over the decade of the 1990s, they felt they had been able to achieve significant improvements in energy efficiency. But in each of those cases, and they were all very significant electrical consumers, the efficiency gains in the energy sector came at the expense of the electrical component of that rising.

I am not competent to detail it, but my colleagues on the committee may remember this as well. I was struck certainly by those northern—all three of those people happen to be in the resource sector. They are people with huge appetites for electricity and they all said the same thing, that to become more efficient in terms of their energy consumption, they had to do things that brought their electrical component up, not down. They all made the comment that we as a committee would do well to understand that overall energy consumption can, for some industrial manufacturing players, mean a net increase in the amount of electricity required.

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**Mr Argue:** The only advice I can offer you, Mr Conway, is that in looking at similar resource industries, for example in Scandinavia, the amount of electricity per unit

of output is considerably less than we have in Ontario, which suggests to me that for similar products and production we can achieve greater efficiency in that area, which would be of benefit to industry in Ontario.

**Mr Conway:** I am just sharing with you what three people said to us just last week, and I do not doubt that they were telling us the truth and I do not doubt what you are telling us; there is just a rather fundamental difference of opinion.

Before my time runs out, my other question would be one I have bored this committee with, and it is this equity argument. Help me understand again how it is that Mr Jordan's rural consumers out there in Lanark or my rural consumers out in Renfrew—

**Mr Jordan:** North.

**Mr Conway:** North—thank you, Leo—are going to benefit by a policy that would see their hydro rate increase, a portion of which rate increase may very well be applied to allow their urban cousins to switch to a lower-cost alternative, ie, natural gas, to which they do not now nor are ever likely to have access. Is it your view that a fuel-switching policy intends more than just a natural gas option?

**Mr Argue:** I would certainly suggest it should be very broadly based and include a variety of energy technologies and fuels.

I could just point out to you again—I did not dwell on it very much during the initial presentation—on page 11 of my report I looked specifically at the equity between participants in these programs and non-participants, and the real comparison is not between participant costs and non-participant costs but between investing in your neighbours' or investing in new supply. Through that analysis, using Ontario Hydro data that have existed for the last four years, all electricity ratepayers are better off by at least a factor of two and as high as a factor of five in making those investments.

**The Chair:** Mr Argue, thank you very much for your participation here this afternoon. It has been of great interest to this committee, the number of groups and individuals and organizations who have interest in this legislation. I say to you and others who are here who have made presentations, your own MPP or the clerk of the committee will provide you with transcripts of not only today's proceedings, but your MPP's office can and should provide you with transcripts—no charge, of course—of the proceedings of the whole committee.

**Mr Argue:** Thank you, Mr Chairman.

**The Chair:** I appreciate your time and your interest.

GREENPEACE

**The Chair:** The next participant is Greenpeace. Good afternoon. Please tell us your name.

**Mr Jardine:** I am Kevin Jardine and I am the energy researcher for Greenpeace Canada.

**The Chair:** Proceed with your comments and, once again, try to leave us the second 10 minutes at least for dialogue.

**Mr Jardine:** Okay. You all have copies of my brief, but before I begin I just want to make some introductory

comments. My brief deals entirely with the question of fuel switching, because from an environmental perspective that is the most significant part of Bill 118. I want to talk about what we all agree on and then try to focus on where our differences have arisen.

I think we probably all agree that generating electricity causes environmental damage. Coal-fired power plants cause acid rain and they release carbon dioxide, which causes global warming. Nuclear power plants also create nuclear waste and environmental damage through uranium mining. We all agree that there is an environmental price to pay for Hydro's power plants.

I think we all agree that conservation is a good idea. We may disagree on how that should actually be achieved, but I doubt there is anybody here who would say that conserving on our resources, whether they are energy, water or other materials, is not a good thing. However, there is a major disagreement on how conservation can actually be achieved.

In the area of electricity conservation, especially if you look in the residential sector, which is about 36% of all electricity consumed in Ontario, the largest single use of electricity is for electric heating. In fact, more than one half of all the electricity used in homes and apartments is used for electric heating, and also this is space and water heating, with smaller amounts for ovens and clothes dryers.

There seems to be a major difference of opinion on what should be done to conserve on electric heating, to try to reduce the amount of electricity which is used for that, just as we are also trying to reduce the amount of electricity used for lighting, appliances and so on.

A number of groups, including the Municipal Electric Association and, I believe, the Association of Major Power Consumers, have come out with the position that market forces are sufficient. Apparently, if we are to believe what they say, market forces will make electric heating go away. However, when discussing the need for new supply, the MEA and AMPCO project that electricity consumption will continue to rise. Included in that, of course, is a large percentage for electric heating. So it seems, when they are talking about demand management they are talking about one thing, and when they are talking about new supply they have different projections.

Greenpeace believes market forces will not make electric heating go away. If that were the case, it would be absolutely wonderful. There would be no need for any investment in programs to get rid of it. There would also be no need for future power plants, because if electric heating went away altogether, if you include commercial buildings and industry, that would be approximately one quarter of all Ontario's electricity. There are in fact a number of real market barriers to achieving the elimination or severe reduction of electric heating. One of the major market barriers is the fact that electric heating equipment is very cheap to install. It is also, however, very expensive to run, as I am sure we all know. But there is something called a split incentive, where a builder or landlord building a home will try to reduce their initial capital costs, so they install electric heating equipment.

On the other hand, the people who actually have the equipment do not have the money to get rid of it. They do not have the responsibility for that, but they do have to pay the electric bills, so that is part of the problem, the initial capital cost. That does not include the real cost of the entire consumption of energy throughout the lifetime of baseboard heating or the electric furnace.

Second, Ontario Hydro and the municipal utilities have had programs for years and years which have promoted electric heating, based on an unfortunate and incorrect forecast of the cost of electricity. But as we have seen before, Ontario Hydro is not very good at making forecasts, either for electricity demand or for the price of electricity.

For these reasons we believe market forces will not achieve the elimination or substantial reduction of electric heating. On the other hand, it is Ontario Hydro's real concern to reduce that. The reason is that when it comes time to do something to increase the amount of electricity available because of population growth and economic growth, Hydro has two options: They can either build a new power plant or several new power plants, or introduce demand management programs which will free up a large amount of electricity Hydro can sell for other purposes.

According to Robert Franklin in his speech to the Canadian Electrical Association Inc in October, 1990, a typical electrically heated home requires \$50,000 worth of generating capacity to supply that electricity. So from Ontario Hydro's point of view, it needs more electricity now. When it is looking at an electrically heated home it can build more capacity, do fuel switching, thermal envelope improvements or other ways to reduce the amount of electricity used in that home to free up the power. That power is worth \$50,000 to Ontario Hydro—each electrically heated home—yet the fuel-switching and thermal insulation programs cost significantly less than that. So Hydro has two options: it can do demand management or build new power plants. Demand management turns out to be cheaper; it is usually cheaper. In fact, it is substantially cheaper than building new power plants. It also makes sense from an environmental point of view because power plants damage the environment; conservation programs do not.

It makes sense economically as well because power plants, being more expensive, will drive up electric rates. They will drive up electric rates at considerably higher amounts than conservation programs and, especially in this case, programs to get rid of electric heating.

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There are a lot of more detailed numbers about what our exact position is on electric heating and the exact environmental damage caused by it. I will leave you to read the brief, but I want to quickly make three points. Greenpeace supports a three-step program to phase out or substantially reduce electric heating and replace it with forms of heating that are much less damaging to the environment.

First, we should reduce the amount of heat required in homes. Space heating needs can be sharply reduced by improving the thermal envelopes of homes and apartments through insulation, air sealing and energy-efficient windows to substantially reduce the energy required to heat

homes. One third of the single-family homes in Ontario right now have little or no insulation. That is an environmental scandal, given our northern climate. A lot of other things can be done to reduce hot water needs and to reduce the heat required in clothes dryers and so on. Again, I will leave you to read that, but the first thing is to reduce the amount of heat required.

Second, we should be switching to efficient, renewable energy sources wherever possible. For example, passive solar heating can be used to reduce heating needs. Wood is also a good fuel because, if replanted, it has no net carbon dioxide emissions, and according to the Canadian Wood Energy Institute, 35% of the homes in Ontario already have a wood stove heater or fireplace. They are usually extremely inefficient, but they can be upgraded so that wood can provide a substantial portion of our homes' heating needs. I also talk about solar-assisted water heaters which have now matured as a technology and they are practical.

Finally, switching to natural gas to provide any remaining heating needs, Greenpeace accepts natural gas only as a transitional fuel. Because of the severe implications of global warming ability, all fossil fuels, including natural gas, should be phased out as soon as possible.

I also talk about technologies other than high-efficiency natural gas furnaces that Hydro should consider. I will leave that for you to read.

Basically, Greenpeace's position is that we need to reduce the amount of electricity we use. Market forces will not do that entirely. Hydro needs to intervene because it makes sense both environmentally and economically from Hydro's point of view and the point of view of the people of the province.

**Mr Huget:** Thank you for your presentation. I have a brief comment and a quick question. It is interesting that you mentioned the thermal envelope issue and all those other things we could be doing to ensure we are not wasting heat or energy, no matter how we are supplying it.

I was recently in Atikokan and in the northern community the number of homes insufficiently insulated is really quite amazing. You would have thought the farther north you go from Toronto, the more that would be an issue. But there are many homes there inadequately insulated.

On the fuel-switching issue, some people are raising the argument, "Why should we substitute fuel, and why should electrical consumers or ratepayers pay for that substitution?" Why should we?

**Mr Jardine:** The reason is that electrical ratepayers have a vested interest in making sure electricity use is reduced as much as possible in the province. It is cheaper to reduce electricity use than to build new power plants, so we have to do everything we can to avoid building new power plants in the future. Once we have to start constructing those plants, rates will go up, just as they have now gone up because of Darlington. Rates are going up, as it has already been pointed out, up to 44%. Once new power plant construction begins, and we have to start paying for the cost of that in the rates, that will continue to happen. Conservation programs are a lot cheaper; they are also

much better from an environmental point of view, but you do not need to use environmental arguments to justify it, you can use both.

Hydro supports fuel switching, for example, simply from a dollars and cents point of view. Even people who do not participate in fuel-switching programs will have lower electric rates as a result of the people who do switch to natural gas, so everyone will benefit. Of course, if the proposals Greenpeace is suggesting—thermal envelope improvements or renewable energy sources and so on, besides the fuel switching to natural gas—that again is a way of spreading the benefits of the program.

It is really important that the fuel switching debate not just become a debate of electricity versus natural gas. There has been a historic rivalry between the municipal electric utilities and the natural gas companies for a variety of reasons, so the debate has tended to be distorted in that area. That was not the original intent of the idea of fuel switching; at least as it was proposed by environmental groups.

**The Chair:** Thank you. Mr Conway, three minutes.

**Mr Conway:** It is very interesting: At the risk of being marginally provocative, I remember as a teenager watching Réal Caouette on our local television station describe Social Credit economics. God, he was good; he was really effective. He talked about these terrible banks, tight credit and all this pain that need not be felt. Like a lot of the soft money people, he painted just a marvellous new world in which all kinds of things which had not been thought of previously were possible. I could never understand why people just did not buy Mr Caouette's line and tell the Canadian Bankers Association to take the noon balloon to Rangoon.

I listen to you and you make a very sane and sensible presentation, particularly following upon the Passmore presentation. It just seems so easy and so painless. We do not need to have these 12% increases. We do not need to build expensive new nuclear or gas-fired stations; we just need to conserve. I am sitting there thinking, "All right; I want to put this question."

I own a cottage up in the Precambrian bush of Renfrew county. I disagree with you to some extent, because market forces are starting to have an effect on me. I am finding that the price my friendly public utility is charging me now is getting to the point where I do not want to pay it to that extent. I am listening to Passmore, I am listening to Greenpeace and I am ready for the new religion. I am going to do something and I want you to tell me what I do.

In Pembroke, my electric bill is nothing and I do not mind paying some of these additional charges, because on the basis of an annual electric bill of 150 bucks, it is peanuts. Out at my cottage, where my annual bill is 1,200 bucks, I start to get very antsy because on that kind of base those sorts of rates begin to really start to mean something.

I want to be responsible. I want to buy into the new religion. Who would be foolish enough to take the hard, painful way when there is such an alluring, easy, painless way? What do I as a responsible citizen in the 1990s do at my cottage, which I keep open all year long and which is

heated electrically? I had no choice, since I am not there a great deal of the time. What should I do?

**Mr Jardine:** The first thing you should do is to make sure your cottage is well insulated.

**Mr Conway:** Done.

**Mr Jardine:** Second, install a high-efficiency wood stove.

**Mr Conway:** But you see, I am not—

**The Chair:** You have asked the question. That is the answer. Now it is for Mr Jordan, and I hope he leaves one minute for his friend Mr Arnott.

**Mr Conway:** This new religion may be more complicated than I thought.

**Mr Jordan:** Three minutes go by very quickly, especially when you watch the clock.

Thank you for your personal interest in Bill 118. Although you support fuel switching and you keep relating to the environment, you are almost at a case of environmental hysteria here, saying that we may not survive unless we proclaim Bill 118. I really do not believe this province or this country is really at that stage yet.

**Mr Jardine:** I believe we are. At the rate at which—

**Mr Jordan:** At the environmental hysteria stage?

**Mr Jardine:** I believe we have reason to be extremely concerned about the state of the environment.

**Mr Jordan:** Concerned, yes.

**Mr Jardine:** If we do not substantially reduce our carbon dioxide emissions, according to the world's most respected and renowned climatologists the earth's temperature will increase dramatically over the next century. According to Greenpeace's own studies, which are confirmed by climatologists around the world, we are going to have to reduce our carbon dioxide emissions by 70% by the year 2050 or we will pay the consequences in terms of massive coastal flooding, droughts, the spread of tropical diseases into northern climates and tremendous storms. The earth's ecosystem will be dramatically altered because of the way in which we are damaging the environment.

**Mr Jordan:** What would happen then with the CO<sub>2</sub> from gas generation?

**Mr Jardine:** The amount of carbon dioxide emitted by natural gas is substantially less than the amount generated by coal-fired electricity. In fact, because of the inefficiency of the coal-fired power plants, 70% of the energy is lost. Only about 30% of it or so gets into homes. Because of the fact that coal generates so much more carbon dioxide than natural gas—coal-fired electricity generates five times as much carbon dioxide per unit of delivered heat as natural gas does, so fuel switching by itself can accomplish a great deal in reducing our CO<sub>2</sub> emissions. Thermal envelope improvements and renewable energy can accomplish even more. The combination is very good.

**Mr Arnott:** You have stated that fuel switching requires incentives and giveaways, because the free market, to create the fuel switching you had hoped to find, has not been as successful as you would like.

**Mr Jardine:** I would not call these incentives or giveaways. It is a little bit like calling Darlington an incentive or giveaway. The question is whether Hydro should invest in a power plant or invest in renewable energy.

**Mr Arnott:** That is not my question. My question—

**The Chair:** That was the answer. Mr Jardine, I want to thank you very much, you and your organization, for taking the time to come before this committee today, for your interest, obviously, historically in this matter. I trust you will keep in touch with members of the committee, with the parliamentary assistant and with critics.

**Mr Conway:** And who is stoking my wood stove when I am not there?

**The Chair:** Should Mr Conway wish to invite us to his cottage this summer, I am sure we could sit down for a couple of evenings and solve his personal energy consumption problems.

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#### SOCIETY OF PROFESSIONAL ENGINEERS AND ASSOCIATES

**The Chair:** I have the Society of Professional Engineers and Associates here this afternoon. Mr Giudice is the president of the society. We have 20 minutes. Please try to leave us at least 10 of those minutes for conversation and dialogue. You have a written submission, which will form part of the record.

**Mr Giudice:** Thank you for the chance to voice our concerns about the proposed amendments to the Power Corporation Act. I would point out that I represent only the Society of Professional Engineers and Associates, or, as we call it, SPEA, not any other trade union. I would also note that the society has been in contact with many other unions connected with the nuclear industry and to a large extent they all share our concerns.

Let me say at the outset that the society sees the changes already made to the proposed Bill 118 by the government of Ontario as a step in the right direction. But any amendments to the act that permit Ontario Hydro utility policy to be determined by government decree should bear careful examination. What is at stake is more than just greater political control over Ontario Hydro's planning activities. It is really the future direction of energy policies in the province, with all this implies for jobs and the economy.

Much of the debate on Bill 118 in the Legislature has in fact focused on the government's policy towards nuclear power. That is why I am here today, to make the nuclear case as strongly as we can.

The government has already imposed a moratorium on further development of nuclear power in Ontario. Who can predict the potential for future restraints or even cutbacks if major decisions affecting the power system are left to government decree? Governments tend to operate with horizons no longer than four to five years, their maximum term of office. But decisions on major power supply options must be made at least 12 years ahead of predicted need. You can see that the priorities of politicians and power planners, who both have the best of intentions, differ dramatically.

Last week Ontario Hydro released its updated demand-supply plan. It indicated that no major generating stations, fossil fuel or nuclear, will be needed until the turn of the century. No one can argue the impact of reduced power demands in this recession, and any thinking person has to welcome any reductions due to demand management and conservation programs.

We can make a strong case for keeping the nuclear option open, but with the kind of uncertainties introduced by Bill 118, this may prove difficult.

Let's briefly examine the impact these amendments could have on Canada's nuclear industry. For starters, SPEA represents nearly 500 professional engineers and other degreed associates. They are involved in the development, design and marketing of the highly successful Candu nuclear reactor. But these highly trained men and women are just the tip of the iceberg.

With 100,000 jobs in everything from research laboratories to uranium mining and manufacturing, the nuclear industry makes an enormous contribution to Canada's economy. AECL and Ontario Hydro spearhead the industry, but the private sector list runs the gamut from General Electric Canada to Zircatec, a manufacturer of fuel bundles.

Every Candu reactor built and operated in this country is 90% Canadian. Parts are supplied by dozens of companies across the country, but mostly from Ontario. To name just a few recent contracts keeping workers gainfully employed, there are steam generators from Cambridge, valves from Burlington, control systems from Schomberg, pressure tubes from Amprior, fuelling machines from Peterborough and calandria tubes from Port Hope and Cobourg. In fact my company's sale of a second Candu reactor last year to South Korea provided direct and indirect employment for about 7,000 Canadians, more than 5,000 of them in Ontario alone.

It was great news when General Electric announced last week it would create 190 jobs in Oakville to manufacture energy-efficient lighting, but let's remember which energy system creates thousands of jobs in Ontario with a single overseas or domestic sale: the Candu energy system.

Most of the unionized workers in Ontario's nuclear industry are well paid. If our jobs disappeared, the loss of government revenues through income and other direct and indirect taxation would be considerable. That is not to mention the resulting drain on the economy through evaporating spending power, and let's not ignore the economic impact on local communities of the power stations themselves. They employ thousands of people during construction and sizeable operating and maintenance staffs after they go on power.

Let's compare nuclear with coal. Over a typical 40-year lifespan for two such plants, both operating at 80% capacity, the coal alternative has almost twice the total labour content of the nuclear option. But remember that most of Ontario's coal comes from the United States, which gives nuclear its price advantage. So if you talk Canadian labour content, nuclear is more than double that of coal and the jobs are high-paying, high-tech and highly skilled, as I will discuss a bit later.

About a third of the coal now purchased by Ontario Hydro comes from western Canada. This does not change the fact that for the nuclear option a full 80% of the jobs are in Ontario. Ontario's nuclear program has saved \$16 billion in foreign exchange to the end of 1989 and has created approximately 25,000 direct jobs right here in Ontario.

Canada has been assembling the world-class expertise to design, build and operate Candu reactors for more than 25 years. Part of it is the ability to manufacture heavy water and uranium fuel. If the government moratorium continues and the industry is on indefinite hold, these skills are in danger of being lost.

As Ontario-based contracts dwindle, layoffs will be inevitable and workers who have spent years building competence in high-tech jobs and through apprenticeships of various kinds will leave either the province or indeed the country or drift into other work. Rebuilding that body of Candu expertise would be akin to rebuilding an Avro Arrow from the cut-up pieces in the scrap heap, armed only with a screwdriver.

Early in the nuclear program the CSA developed stringent requirements for all safety equipment installed in nuclear plants. Known as the Z299 series, these standards were adopted in 1975. As well, vigorous pre-qualification criteria for suppliers were put in place. It can take years for a new supplier to meet these qualifications, which include developing fully competent trades people.

These high standards set in the nuclear field have benefited manufacturers by making them competitive in other pursuits that also call for superlative quality control. The aerospace industry is a good example. It is likely then that dwindling nuclear work would see its numbers evaporate, which would also affect other high-tech employment.

Nuclear plant operators spend eight years in classrooms and on-the-job training before they can hope to pass the examinations leading to an operator's licence. Young people ambitious to become nuclear operators may think twice about such a career in what may be perceived as a dwindling job market, and that means a shortage of operators when and if Ontario's nuclear program is revived.

Strict quality assurance standards also apply to construction trades engaged in building nuclear power stations. At the risk of sounding repetitive, a prolonged moratorium may lead to the loss of many skilled people. It gets right down to this: While some may argue that these amendments save resources, I believe they squander our most valuable resource—our people.

When it comes to impacting the environment, nuclear stations have decided advantages over fossil-fuel plants: They do not emit either acid or greenhouse gases, and a small amount of spent uranium is confined and safely controlled within the plants themselves.

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Why then the government moratorium on future nuclear development? The primary reason may be the government's reaction to the incorrect perceptions of a vocal minority that opposes nuclear energy on ideological or misguided grounds.

Other, more sincere, opposition to nuclear power may arise from doubts of safety, but the facts tell another story.

Since the first electricity was fed into Ontario's grid by the nuclear power demonstration plant at Rolphton 30 years ago, Canada has achieved an outstanding safety record. No member of the public has ever been hurt or even threatened with harm from the operation of Hydro's Candu stations, whose record for safety is unrivalled. Indeed, the same can be said for the entire Candu industry. It has recorded more than 200 million man-hours of operation without a fatal injury to a worker or member of the public. How many other manufacturing sectors can equal that claim?

The Candu industry works under the mantle of the most stringent safety regulations and monitoring of any industry in Canada. Working with radioactive substances demands this, and the industry accepts the responsibility willingly. Stations are inspected frequently, and they are built to withstand potential and natural disasters, ranging from earthquakes to tornadoes. At the stations, there is a continuing effort to make potential radiation exposure to workers and the public as low as reasonably achievable.

For those who like to stir up anxiety in surrounding communities, you should all be aware that workers inside the plants themselves have lower cancer rates than the population at large, so let's lay the anti-nuclear myth to rest. The reality is this: Under a normal operation, the Candu plant emits far less radiation than a station burning coal which contains thorium.

Primarily Ontario-based, the Candu industry has developed into a world-class national industry. It has been the major contributor to Ontario's path to self-sufficiency in energy—economically and reliably. How else did Ontario, with its larger nuclear program, achieve electricity rates 20% to 30% cheaper than most North American jurisdictions? Let's not knock nuclear. Let's give credit where it is due.

Remember the Middle East conflicts and the past history of the OPEC cartel? Remember the mid-1970s when crude oil supplies became scarce and we paid substantially higher prices for what was available, along with natural gas? More and more disposable income disappeared in order for people to heat their homes, run their cars and purchase other items made from oil byproducts. The net result was a lower standard of living and inflation.

Even earlier than that, the government of the time made the right move to start Ontario on the path to energy self-sufficiency. This would ensure that we would not be at the mercy of others for energy supplies at times of unrest. The goal was to see Ontario able to maintain a good standard of living.

The Candu nuclear industry has certainly supported this goal, allowing cheaper electricity rates than other comparable North American jurisdictions and helping maintain our enviable standard of living. We have an excellent and reliable nuclear technology that is the envy of many countries of the world.

Switching to alternative energy supplies will result in reliance on foreign and out-of-province sources which are unreliable and, without doubt, will be more costly in the long run.

Here is our primary concern: The proposed changes to the Power Corporation Act creates uncertainty for future

planning in the nuclear industry at a time when uncertainty abounds in the economy as a whole.

Naturally, the Society of Professional Engineers and Associates applauds this government's demand management and conservation initiatives, but is it really possible to quantify how much of the recent electricity-demand slowdown is due to conservation measures and how much to the current recession that is damaging industry across North America? What happens a year or two from now when an economic upturn gets under way? Will power demands take a surprising leap, once again catching the planners unawares? If they do, will the nuclear moratorium be lifted, or will it be kept in place for reasons that may well be more ideological than practical? What will be the result of scrambling to meet new demand?

The only thing we will be able to do is import expensive polluting power from elsewhere or build expensive polluting gas-fired plants which can only erode the cost advantages we have attained over decades of nuclear power. Every utility in the eastern part of this continent will be turning to gas in the 1990s, given public paralysis of new plant decision-making, especially nuclear plants. What do you think this will do to the price of gas, an inflation-prone, non-renewable resource that releases carbon dioxide during combustion, thus contributing to global warming?

Sooner or later, major new sources of base load generation will be needed in this province. It could well be a sad day if the nuclear infrastructure to provide a major proportion of this electricity is no longer in place. Thank you.

**The Chair:** Thank you, sir. Mr Conway, one short, concise question per caucus. I see the pained looks.

**Mr Conway:** There is something almost insulting about these strictures, but I understand the pressure the Chairman has.

I think your brief is a very interesting one. It concerns the fundamental policy that informs this government's energy outlook, and in that sense I think it is an extremely timely, if somewhat controversial, assessment of that whole question. But surely you, being an engineer, understand that we do not need any of these new alternatives on the supply side, because a whole generation of politicians and engineers—actually, two generations of politicians and engineers—have just either misunderstood or ignored the possibilities of creative, almost painless, demand management. Would you not agree?

**Mr Giudice:** Mr Conway, you asked a question of one of the previous speakers about your cottage, your concern for high rates, who suggested that you use wood. I do not know if you ever burned wood in a fireplace. I have. If you buy it, it is very expensive in fact in comparison to heating probably your home, your cottage, with electricity.

**Mr Conway:** I close the fireplace when I am not there 95% of the time, but that is another matter.

My point on demand management is fairly serious, and perhaps I prefaced it a bit grandiloquently. My point is that the thrust of the government's policy, and most especially the thrust of the chairman's update to the demand-supply plan of last week, suggests that we can provide reasonably

for the needs of industry and residential consumers in this province for a full generation by almost a chiropractic-like manipulation of the supply we already have.

**The Chair:** That statement having been made, we go to Mr Arnott.

**Mr Arnott:** Thank you, Mr Chairman. I wonder, sir, if you can give an explanation to the committee in layman's simple language as to why a Chernobyl-type accident could never happen to a Candu reactor?

**Mr Giudice:** I would not answer that by saying nothing could ever happen, but certainly, with the type of system we have, our containment system, we have several shutdown systems that prove to be reliable. They are consistently being monitored as well and tested on regular frequencies. This is the type of confidence we have in our type of reactor.

**Mr Klopp:** I can appreciate where you are coming from. We had some people here a couple of days ago who really promoted natural gas. They also sold natural gas appliances and they really like the idea. You know, they are in their corner and you are in your corner. I can appreciate that. I do not have a lot of qualms about nuclear energy sources; I do not care. Energy sources produce electricity. It does not come from there naturally.

On page 3 it says no public person has ever been hurt by a nuclear plant. I do not know if any public person has ever been hurt by any electricity-producing plant in Ontario, but I could be wrong.

**Mr Arnott:** Mining coal.

**Mr Klopp:** That is not producing electricity. There have been people hurt in uranium plants, have there not?

**Mr Giudice:** Well—

**Mr Klopp:** Okay. The question I have is, when this province says we are not looking at producing any more of any kind of plants, particularly nuclear, for the foreseeable future, how does that affect your selling of this business around the world?

**Mr Giudice:** Because the industry was created here in Ontario, basically, in partnership with the Ontario provincial government, through Ontario Hydro. For Pickering units 1 and 2, it was a shared partnership on those particular units. There was a lot of exchange of the engineering and knowhow, individuals and so forth.

Certainly the next class of nuclear reactors, which was termed the Candu A, or the start of it, had commenced roughly a number of months ago. When the moratorium got placed it got cancelled, and that was again conceived to be a partnership of Ontario Hydro and our engineering staff, working for AECL, in developing a much more advanced nuclear reactor.

It is very difficult to sell on the world market if they see that within your own province, your own country, nuclear power is not an option any more.

**The Chair:** Thank you, sir. The whole committee thanks you for your participation and trust you will be in contact with members of the committee or with your own MPP to find out the progress of this legislation and to keep the channels of communication open.

**Mr Giudice:** Yes, I will. Thank you.

1530

#### AERO ENVIRONMENTAL LTD

**The Chair:** The next participant is Aero Environmental Ltd. Good afternoon, sir.

**Mr Brooker:** Good afternoon. I am Michael Brooker, Aero Environmental.

**The Chair:** Please, sir, your comments and then time for questioning. We have a total of 20 minutes.

**Mr Brooker:** I will be short and sweet. Thank you for the invitation. Aero Environmental is a manufacturer of oil-fired heating equipment, specifically oil burners, oil-fired water heaters, flame retention oil burners, indirect water heaters, and we have been established in this province since 1945. Aero supports proposed Bill 118, and it has our full support for the following reasons. I am looking at this specifically from a domestic heating point of view; I am not looking at the commercial end of it.

First and foremost—I am sure you have heard it all—generating electricity by burning coal or other sources of fuel is not cost-effective nor it is efficient, and in coal's case neither is it environmentally sound for this province.

Oil heat has survived three major price shocks since 1973 and seems to have come out reasonably well, so much so that I am still paying 1984 rates for my fuel oil today. Granted, it is market-related, but there I am, 34½ cents a litre.

Oil survived the misguided federal initiative to get this country off oil completely. It survived, and the question was, why did it survive? It was because the oil heating industry kept pace and kept going and the equipment today is efficient. It has progressed so well in design development that we do not see any need to generate heat by the use of electric resistance. It just does not make any sense to use one fuel to generate another to produce heat or hot water, whatever the case may be.

The technology is in place today for oil. For example, our company manufactures a domestic oil-fired hot water heater that conforms to Ontario's new Energy Efficiency Act. This regulation is quite demanding, and I am quite proud to say that we are the only manufacturer to date in Canada who has met the Energy Efficiency Act. It will become law in I believe April 1992.

We believe that if electric water heaters are replaced by either oil- or gas-fired water heaters, the demand on that electrical grid will be greatly reduced. Oil-fired water heaters, and gas, to an extent, produce a lot more hot water on demand, in the case of oil five times quicker than electricity, and resultant amount. They can also be vented through a wall where there is no chimney available; ie, electrically heated homes that are in existence today, if they had to be converted, can be converted to oil with what they call through-the-wall technology venting.

In conclusion, we feel it is imperative that Ontario adopt alternative sources of energy to be put in place of electricity so we can conserve our energy supply and most important, reduce the burden on the Ontario taxpayers. We feel it is the only choice that makes sense for our province.

If you have a copy of my figures on cost comparisons of electric water heaters versus oil heating efficiency, it pretty well tells the story.

Heating water is very expensive; those figures are based on 64.3 US gallons per day usage, and this is a commonly accepted figure. That translates into 24,000 gallons of hot water annually that an average household will use. If we look at the second page and the cost comparisons—no GST is included in any of this, by the way—if you took oil at 34 cents a litre, the bill to heat 24,000 gallons of water would be approximately \$296. If we were to take an electric rate of approximately eight cents a kilowatt-hour, we are now looking at \$634. There is a considerable difference.

This is our position. We think the Ontario government should promote those alternative uses of energy, as opposed to strictly electricity. Thank you.

**The Chair:** Thank you, sir. Mr Jordan.

**Mr Jordan:** I am interested in your assessment of the heat pump.

**Mr Brooker:** I do not want to sound too jaundiced but our climate is not the best suited for it. There is technology coming on stream today that will utilize the ground source, be it water or the ground itself. I have seen an experiment conducted by Ontario Hydro through a ground source heat pump—they had all the best technology at this house and it just did not work. Heat pumps I liken to central air conditioning. They do use a lot of electricity, especially when the temperature starts dropping. You generally need a backup in this climate, especially as you get farther north. This has been done in Quebec. Heat pumps have a place but they tend to be shining in a more moderate climate; Toronto, perhaps.

**Mr Jordan:** I would like to ask you where you saw an Ontario Hydro heat pump project that was bad.

**Mr Brooker:** In Etobicoke.

**Mr Jordan:** Because of the installations there?

**Mr Brooker:** The whole installation, the way it was conducted; they had—

**Mr Jordan:** But let's stick to the principle of extracting heat from the ground.

**Mr Brooker:** What they had to do in order to realize the whole efficiency of this thing, they were having to fill the lines with—

**Mr Jordan:** I understand that part, but I am talking about the relationship and the principle of a heat pump for future heating and cooling. To me, it is an excellent technology and it is improving continually.

**Mr Brooker:** You are still using electricity to a great extent.

**Mr Jordan:** Very much so, and I am for my lights also.

**Mr Brooker:** True enough, but when I see a compressor on a heat pump, it consumes electricity at quite a great rate and, given the rates that we have for electricity today, I do not really think they are that cost-effective. Who knows, they now have natural gas heat pumps which are

an alternative down the road. There is something to be said about them.

**Mr Jordan:** Very much, and I just noticed that you do not have a comparison here, whether it is gas-fired in conjunction with a heat pump, or electric-fired.

**Mr Brooker:** No, we do not.

**Mr Jordan:** But there is a big saving in that—and looking at our summer load growing year after year, almost to a summer peak condition because people are demanding air conditioning, a controlled environment in their homes, to such an extent that we now have to have controlled air inlets.

**Mr Brooker:** That technology is a long way away.

1540

**Mr Jordan:** Well, the building code is asking for it at the present time.

**Mr Brooker:** It is a mess right now.

**Mr Jordan:** The building code is asking for it, right?

**Mr Brooker:** I understand, yes.

**Mr Huget:** I would like to quote Mr Franklin, the former chair of Ontario Hydro, who made it very clear that in his view electricity was far too important and too expensive a commodity to heat dishwasher with, and I have to say I agree with him on that.

A lot of the connection has been made to fuel substitution as only gas, and frankly that is incorrect. But if we look at oil heat and I were to adopt the sort of adopted perception of oil heat, and that has been I think in the public's mind a fuel that is dirty, inefficient and costly and a supply that is non-reliable, given that perception, why would we switch to oil?

If there have been improvements made in the technology, please do not tell me that there have just been improvements. I want to know specifically what has changed in terms of the efficiency and all those other issues related to oil heat, because it is the same oil.

**Mr Brooker:** To answer your first question, why would you ask somebody to switch? First of all, gas pipelines do not go to Fanbelt, Ontario. They are not all—

**Mr Huget:** You can't get there from here.

**Mr Brooker:** Right.

That is one good reason. Natural gas is not available to a lot of places within this province.

You ask, what technology has changed? Oil burners have changed. The heat exchange process has changed. They are getting more BTUs out of a gallon of oil as opposed to pre-1975.

The key in your perception is probably true of a lot of people: "It's dirty, it's smelly, it's expensive." It is not that expensive, it is not dirty and it is not smelly, provided it is serviced correctly. I guess that is the biggest battle our industry has had. You change the oil in your car, I presume, on a regular basis. That is what our industry is always fighting for, training that service end of it to look after the equipment. If it is looked after, it is not dirty, it is not smelly and it is efficient.

**Mr Huget:** You mention on the back page of your brief Nova Scotia's Power Smart program. Can you tell me a little bit about that?

**Mr Brooker:** It is basically going in the direction that Ontario Hydro has been going. They are promoting the lightbulbs. They are going to adopt a new CSA efficiency guideline. Millbrook was the front runner for oil-fired heating equipment, and basically that is what Nova Scotia is doing. I believe it is going to become effective in April 1992 that oil-fired heating equipment has to meet a certain standard. This is part of the program. It is again analogous of what Ontario Hydro is doing.

**Mr Huget:** You would agree with the setting of efficiency standards, I assume.

**Mr Brooker:** We have it in place now. We have had it for some time, gas and oil. We have a minimum efficiency standard for oil-fired water heaters now. It is tough, but we met it, and there are other manufacturers who can. We have it for all oil-fired heating equipment. There is a minimum efficiency that you have to attain with oil-fired heating equipment. It is 80% combustion by the way. Otherwise, you do not get certified.

**The Chair:** You should know that when we were in Ottawa on Thursday, we had a rather full dialogue with the Canadian oil heat association, which made its case well, as did you today. We thank you very much for your interest, for coming out. We trust you will keep in touch and keep your views circulating around Queen's Park and the people who try to make the decisions.

You should know that I enjoy the opportunity to say this. I and I suppose a few others are a very critical of the \$1,000-a-day consultants who tend to hijack governments and sometimes political parties. But you and the other people who have been here today and throughout the process of these committee hearings demonstrate you do not really need those \$1,000-a-day people. There are a whole lot of people with a whole lot of talent and skills who are prepared to help and eager to assist. You have demonstrated that, along with the other people here today, and we thank you for it.

**Mr Brooker:** Thank you.

**The Chair:** The next scheduled participant is Jim Harris, who is not here yet.

#### MILLBROOK-CAVAN ENVIRONMENTAL WATCH

**The Chair:** What we will do, then, is proceed with the next participant, Millbrook-Cavan Environmental Watch. I understand Jeff Brackett is here for that organization.

Others of you who have come, there are coffee and some juices there—some from Ontario, some as a result of cross-border shopping. Feel free to make yourselves comfortable.

**Mr Brackett:** Thank you for having me. I will not keep you too long. First of all, my name is Jeff Brackett and I am a co-founder of a group called Durham Nuclear Awareness. I helped to found that group about five or six years ago when I lived in Durham region, which is home to the Pickering and Darlington nuclear power stations. Two years ago, though, I relocated to Millbrook which is

just this side of Peterborough, about 10 or 15 minutes this side of Peterborough down Highway 115. Since that time, I have become active in a group known as Millbrook-Cavan Environmental Watch, or MCEW. I noticed in your correspondence to me, a letter was changed around and it became Millbrook-Cabin and I thought that was kind of cute because it does justice to the small-town rural setting.

Millbrook-Cavan Environmental Watch is a small committed group of people who have been around for ages working on raising environmental awareness and appreciation through workshops. They have had people come into town to speak at public events, such as Tom Drolet from Ontario Hydro, people from the Ministry of Natural Resources speaking on wetlands and land use, and there is a move in town to have mini-hydro installed in the local mill. There was a generator there years ago, and hopefully soon there will be one there again.

MCEW is also a member of the coalition of environmental groups, which is a participant in the environmental assessment hearings into Ontario Hydro's demand-supply plan. Today I am speaking to you on behalf of Millbrook-Cavan Environmental Watch, and I am here to notify you of our full endorsement for Bill 118. We feel that passing Bill 118 will do a great deal to help protect the environment and the economy of this province.

If my friends were here giving you an idea of what I was like, they would tell you I tend to apologize an awful lot. So I will get that out of the way right off the bat and tell you that I am not an expert and that I cannot dazzle you with figures and things like that. However, in preparing for this presentation I did quite a bit of reading and found the history of relations between Ontario Hydro and the government of Ontario to be fascinating.

As I read Bill 118, I was equally impressed by the common sense which seemed to spring from its pages. Bill 118 is part of an ongoing progression towards greater accountability and responsibility at both Ontario Hydro and Queen's Park. As a bonus, it clears roadblocks which have prevented energy-wise decisions, decisions that now may pay both economic and environmental dividends. I believe this bill is an important step towards a more comprehensive approach to energy planning in Ontario.

As you know, the bill deals with accountability and the structure of the board and so on. For years it has been my personal opinion that Ontario Hydro has behaved as a power unto itself, and at the select committee hearings in Bowmanville a few years back I remember hearing Cyril Carter, Jenny Carter's husband, speak and he referred to the utility throughout his presentation by its initials OH. He preferred to call the utility "on high," this in reference to the crown corporation's power and influence which he likened to a sort of corporate omnipotence. They are seemingly above the law and beyond regulation.

Another familiar image that environmentalists like to put forward is that in the relationship between the Ministry of Energy and Ontario Hydro the ministry is the tail trying to wag the dog, and the utility is out of control.

#### 1550

Changes suggested by Bill 118 should help to clarify matters and help to clean up communications. Subsection

3(1) serves to increase the size of the Hydro board from 17 to 22 members. This increase will allow for a wider representation of public interests on the board. I think Jenny Carter said that herself. This section also would include the Deputy Minister of Energy on the board as a non-voting member. This would be to increase communication and liaise between the two groups to keep each aware of what the other is doing. We cannot overestimate the value of communications. Subsection 3(1) will see to it that both the corporation and the government get some instant feedback and input on energy decisions and are totally up to date with each other's activities.

I also read that section 2 goes further still in allowing the Minister of Energy to issue policy directives and obliging Ontario Hydro to implement these promptly and efficiently and to update the minister on its activities related to policy directives. Hopefully these directives and responses will eliminate any rumoured backroom dealings and make both government and Ontario Hydro more accountable to the people of Ontario.

I have also read the criticism given by the Municipal Electric Association that this bill goes too far in giving the government unrestricted ability to interfere with Ontario Hydro affairs. While there may have been room for clarification in the bill, it was an extreme position for the MEA to accuse the government of setting up some sort of opportunity for a tax grab.

Others have suggested that through the government's directives to Ontario Hydro, Hydro's resources may be misused for the government's own purposes. I think that is a little extreme as well. Obviously directives will only apply to matters relating to Hydro's exercise of its powers and duties under the existing act.

While accountability is important, probably the issue which draws me here today is that of fuel switching. That is the one that tugs at my heart and the one that brought me all the way in here from Millbrook and got me off work on a short leave of absence to come here and see you today.

Subsection 56a(3), while not limiting Hydro's activities, does seem to restrict any energy conservation programs to those which apply to electrical applications. By focusing on improving electrical efficiency, which is a good goal in itself, this section ignores the fact that electrical heating of homes and water is really not an appropriate use for electricity at all. Other heating systems may be, and are, more environmentally and economically desirable. I was shocked to become aware of this. After I wrote this, I thought you would notice the pun, so pardon the pun. I could not help wondering how much this wording, this focus on electrical efficiency and so on, might have restricted Ontario Hydro in its efforts to conserve energy.

Shock might not be an appropriate reaction to reading this information, as Hydro is in the business of providing power at cost, and that power is indeed electrical. The trouble is that somewhere along the line Ontario Hydro became very wrapped up in promoting the use of electric home heating. They have been very successful at this. This has forced consumption up and created an unnecessary or perhaps unreal demand for their product.

It was really easy, as you know, for electric heat to catch on. Builders like it because baseboard heating is extremely easy to install. It does not require duct work. People like it because at that point of use the consumer really has no evidence of the dirty business generating electricity can be. Meanwhile, former Hydro president Robert Franklin once said that if a builder installs 15 kilowatts of electric heat in a house, Hydro has to spend \$50,000 to build the capacity to keep that house warm. There are hidden costs the builders and the consumers do not see. The changes proposed by Bill 118 for this section really open up new options and possibilities by taking out reference to electrical energy and inserting reference to energy and energy systems.

When I moved to Millbrook I bought a really nice old home about 100 years old. I guess you might think it probably leaks like a sieve, but it has good installation. We checked and it has good wiring, plumbing and so on. Two years before I moved in, it had been retrofitted with a brand new electric furnace, which gave me some concern because I knew what the electrical rates were like. We moved in in March and the heating bills were something that we could not have imagined and that bowled us over. We had to do something quick. I had checked into it earlier. I knew there was natural gas on the street and in the town. We called the gas company and the gas company said, "You get some of your neighbours together and we'll come out there and do a mass conversion." Me and my neighbour were enough. They came out and did both of us at once.

My neighbour's house is very similar to mine, about 100 years old. They had the same new furnace. There must have been some people rolling through town putting new electric furnaces in at the time. They were on equal billing and paying \$240 a month for electricity. I was really glad to find out that when we switched to natural gas—we bought a high-efficiency furnace and we pay \$55 a month now equal billing for heating and hot water. Of course, you have to take into account the electricity we would use for lighting and so on, but even with the purchase of the furnace, which was \$89 a month over five years at 19%, which works out to about \$5,000, I am still way ahead every month.

One has to wonder why these houses were ever converted to electric heat over the option of natural gas, which was readily available throughout the town. The duct work was easy to install and, as I said, the whole town is serviced with natural gas.

I have read in researching for this that even where natural gas is available, quite a few homes are converted to electricity. There is just no good cause for that and it should be—what is the word?—restricted. It should be discouraged. It should not be allowed when there is natural gas in town to go electric.

Electric, as you know, involves a lot of environmental side effects. There is acid rain from the coal that provides the peak energy required for winter months and summer air-conditioning. I think a lot of people like myself found out that if you go electric you also go broke. So we have switched to natural gas.

As I walked in the door I have some new information here that pertains directly to my town. The Municipal Electric Association has suggested that fuel switching will result in increased rates because the municipal utilities would lose electrical load and they have fixed costs. As you know, I live in Millbrook and would like to give you some background on the Millbrook Hydro Commission, as they call it there.

Earlier this afternoon you received a paper from Mr David Argue of Passmore Associates on behalf of the Coalition of Environmental Groups. I refer you to the addendum to that paper, if you have it with you. On page 2 you will see a table entitled "The Impact of Declining Electricity Use on Municipal Rates." Millbrook is about halfway down the page. The table notes that in 1989, which are the most recent figures, only 13.9% of our rates in Millbrook were local distribution costs. These amounted to \$88,537, as opposed to the amount of power purchased from Ontario Hydro, which was \$546,874.

In other words, the fixed costs of Millbrook Hydro Commission are a relatively small part of the overall costs. For that reason, the impact of fuel switching on Millbrook's electricity rates would be minimal. By the calculations in the Passmore study, electricity sales in Millbrook would have to decline by 42.2% to result in a rate increase equal to Ontario Hydro's 1992 rate increase of 11.8%.

I am sure my neighbours and other members of the Millbrook-Cavan Environmental Watch would agree that there is a real need for fuel switching in our area. Get us off electric; it is not an appropriate use of that power option. I think I will close at that and if you have any questions I would be happy to try to answer them.

**The Chair:** Thank you, sir. Mr Huget, two minutes.

**Mr Huget:** Thank you very much for your presentation and for taking the time and going through whatever it was you had to go through today to get here. I really appreciate that.

**Mr Brackett:** Thanks. It was a trip.

1600

**Mr Huget:** You mentioned I think very briefly the accountability factor, in terms of Ontario Hydro and policies like energy efficiency and conservation. I have heard from some presenters that Bill 118 does not go nearly far enough in terms of trying to address the accountability factor. Do you think it goes far enough?

**Mr Brackett:** I am really not sure of that. I am glad that the deputy minister will be on the board, even as a non-voting member. It might be interesting if I had more information on who those other additional members might be. Up until that point, I cannot really say.

**Mr Huget:** On the fuel-switching issue, there has been some reference to an approximate extra cost of about \$4 billion that is being incurred in terms of heating. In other words, the cost would have been \$4 billion less to the consumer had natural gas and oil heat been used. Why do you think that there is so much opposition to fuel switching, particularly when there is obviously a \$4-billion benefit to the consumer? That opposition comes from pri-

marily municipal electrical authorities who tell us that they represent the consumer.

**Mr Brackett:** I am not sure that they do represent the consumer. If the consumer had a chance, he would switch to—I am now living in a rural community where I am really lucky to have natural gas. A lot of my neighbours outside of the village, out on the concessions and so on, have no option except electric lines that come in, or a lot of them work with oil, and there is a lot of wood heating out there. But I really do not think that the Municipal Electric Association does speak for the consumers, and I think it is perfectly natural for them to be wary of these changes.

**Mr Cleary:** Thank you for our presentation. I am sorry I missed the first part of it, but I take from what I heard of it that you are a very happy gas customer.

**Mr Brackett:** That is right.

**Mr Cleary:** In the area I represent—and there are many areas like this—we do not have the same luxury of having gas. What would you tell these people? How would we satisfy them: by paying for conversion to gas? Yet they do not have it. What do we tell those people?

**Mr Brackett:** Where it becomes possibly too expensive to pipe in the gas, there are other options, such as heating oil, and I guess that involves deliveries and so on, but there are also improved conservation-efficiency measures that could be encoded into the building code to make houses make use of available passive solar heating and so on. I understand passive solar heating, if used properly, can provide approximately 75% of our heating needs.

**Mr Cleary:** Should this program pay for that, too, as well as conversion to natural gas?

**Mr Brackett:** Should the fuel-switching program pay for that?

**Mr Cleary:** Yes.

**Mr Brackett:** Should it pay for the switch?

**Mr Cleary:** To wood, or whatever it might be.

**Mr Brackett:** I paid for my own switch because it made real economic sense. I am saving about \$100 a month—even buying my own new furnace. The old one is still in the basement, if you want to come and pick it up.

**Mr Jordan:** I thank you for your presentation, and I thank you for your interest in Bill 118. Obviously, you have at least read the bill and attempted to understand it, like the rest of us.

**Mr Brackett:** I have read the portions that are being adjusted.

**Mr Jordan:** Exactly. I think certainly one strong thrust of this bill, even at this date, has been to smother the nuclear industry. Would you agree with me?

**Mr Brackett:** It might be said that because peak load, which occurs in the winter with the extra heating that is needed, is looked after for Hydro by coal and so on that it is an attempt to smother the coal industry, rather than the nuclear industry.

**Mr Jordan:** You do not see any need to be concerned about the nuclear industry?

**Mr Brackett:** I am concerned about the nuclear industry. I have a five- or six-year history of working with citizens' groups to oppose the nuclear industry, but that is not particularly why I am here.

**The Chair:** Mr Brackett, I want to thank you and the Millbrook-Cavan Environmental Watch. Your comments are interesting and obviously have provoked some thought on the part of committee members. I appreciate you making your way into Toronto this afternoon. As I have told others, transcripts, not just of today's proceedings but of the whole proceedings dealing with this bill, are available to you at no charge. Get hold of your MPP and he or she will be pleased to make sure you get a copy of them. Keep in touch. Thank you very much, sir.

**Mr Brackett:** Thank you very much. I appreciate the opportunity.

#### PICKERING HYDRO-ELECTRIC COMMISSION

**The Chair:** Pickering Hydro is here this afternoon. Let us know who you are. We have 20 minutes. If you could keep your initial comments under the 10-minute line, it would give us time for conversation and questions.

**Mr Mason:** Mr Chairman and members of the resources development committee, my name is Jim Mason. I am a long-time resident of the town of Pickering and am vice-chairman of the Pickering Hydro-Electric Commission. With me today is John Wiersma, our general manager.

Pickering Hydro is one of the 312 member utilities belonging to the Municipal Electric Association, commonly known as the MEA. The MEA member utilities distribute electric power to about 75% of Ontario's electric power consumers. The balance is distributed by Ontario Hydro directly.

Pickering Hydro itself services the town of Pickering, an area of about 225 square kilometres bordering the east side of Metropolitan Toronto. We purchase our electric power from Ontario Hydro at an annual cost of about \$36 million, which represents about 86% of our operating expenses. We in turn supply electric power to 23,000 customers who rely on us for reliable power at reasonable rates.

Clearly, then, we also have a significant interest in Ontario Hydro's continuing ability to provide us with reliable electric power at reasonable rates. In fact, our customers demand that we hold Ontario Hydro accountable, especially in the face of double-digit increases.

At the outset let me clarify that I speak on behalf of the commission and its 23,000 customers and not on behalf of the MEA or in support of the MEA positions. I will limit my comments here essentially to four concerns: the composition of Ontario Hydro board, the accountability of Ontario Hydro, the matter of fuel substitution and the capitalization of conservation programs.

Bill 118 proposes the expansion of the board from 17 members to 22 members, including the deputy minister. Respectfully, the 17-member board is already too large for effective accountability and decision-making. We are concerned that the larger board becomes a rubber-stamping process for executive decisions.

Indeed, we need an empowered board consisting of knowledgeable people from the province's regions and communities of interest. This board must be empowered to give leadership at a crucial time in the development of the province's electric industry. The board must be competent in making tough business decisions, yet sensitive enough to be the conscience of all the people of this province.

There is already a vast resource of people meeting the requirements for a board member. These are the commissioners of Ontario's 212 municipal electric utilities. They are individuals with grass-roots sensitivity to the customer, the one who pays the bill. They are familiar with the industry and with making sound business decisions in their own utilities. The current practice of appointing only two commissioners to the Ontario Hydro board is an injustice to the talented individuals in the distribution arm of our business. We also believe the board should be free of politics and operate within a framework of sound, sensible business decisions.

#### 1610

We recommend, then:

1.1 That the Ontario Hydro board of directors be reduced to a chair, vice-chair, president, deputy minister and 12 directors;

1.2 That the directors of the Ontario Hydro board be appointed as follows: six commissioners from commissions that are members of the Municipal Electric Association and six appointed at large;

1.3 That in the appointment of Ontario Hydro board members due consideration be given to representing Ontario's regions and communities of interest.

Ontario Hydro was founded under the leadership of Sir Adam Beck in response to a municipal lobby for a single organization to generate and transmit electrical power throughout the province.

Through the years Ontario Hydro has become the economic engine of this province. Ontario Hydro created numerous jobs through the development of indigenous energy resources and a home-grown high-tech industry. Ontario Hydro also developed a climate of low-cost power which attracted many industries to Ontario.

Today's expectations have not changed. We still require made-in-Ontario electricity and we still need to attract industries to create jobs. Ontario Hydro is now a giant among industries, a major employer with assets in the \$35-billion range. Clearly a firm of this size has a major impact on the province's economy. It must continue to supply reasonably priced electric power and do so with the highest standards of reliability. Ontario Hydro must be a bottom-line business.

The mandate for Ontario Hydro is defined in the Power Corporation Act. Ontario Hydro must continue to operate within this mandate as a business supplying low-cost, reliable electric power. Power at cost is still a valid principle, even for today.

We respectfully submit that the policy directives from the government open the door for Ontario Hydro's mandate to become blurred and unfocused, adding to the cost of electricity. It is better to leave Ontario Hydro at arm's length and retain the current provisions in the act which

provide for government policy statements. Ontario Hydro must not be subject to the political winds of time.

This is not to say that Ontario Hydro does not need more accountability. The effectiveness of the Ontario Energy Board, for instance, is not very clear to us. Ontario Hydro makes rate proposals to the board and the board goes through an extensive process of hearings at tremendous costs, yet in the final analysis, unlike the gas companies, Ontario Hydro is not bound by the Ontario Energy Board decisions. This is quite unlike the American system, where the state public utility commissions have the power to make binding decisions on both private and public utilities. On this point we recommend:

2.1 That the Power Corporation Act remain as is with respect to policy statements and that the proposal for provincial policy directives be abandoned;

2.2 That the Ontario Energy Board Act be reviewed with regard to the accountability of Ontario Hydro and that greater regulatory powers for the energy board be considered.

The amendments to the act, as proposed, give Ontario Hydro the power to provide non-refundable cash incentives for the conversion to other energy forms. Who pays for these incentives? All electricity consumers both now and in the future, including our children? These costs will be capitalized and the funds will have to be borrowed.

If I were a shareholder in Consumers Gas or Union Gas I would be buying shares right now, because this is an opportunity to expand market share with promotion costs and grants coming out of the electric customer's purse. At a time when Ontario Hydro is already experiencing crucial problems with its debt management, this approach is highly questionable. These programs are a form of subsidy from those who cannot participate to those who can and from future customers to today's customers.

Let me quickly summarize the unfair subsidies our customers are already paying through their electric bills.

They subsidize the provincial consolidated review fund through an artificial charge imposed on Ontario Hydro to guarantee Ontario Hydro's debt and through a charge for water that runs through the electric plants.

They subsidize the rural customers through subsidizing the operation of Ontario Hydro's rural power system.

They subsidize the government through payment of the goods and services tax.

Now it appears our customers can also subsidize select customers who take advantage of the fuel substitution as well as subsidize the private gas and oil companies to increase their market share.

Is it any wonder that our electric power rates are as high as they are? We are facing further double-digit increases for 1993 and 1994. However, how much can our customers really bear? Ontario, which had low electric power rates and a reliable power supply, is now seen by commerce and industry as an expensive place to do business and an environment where reliability of future supply is far from certain.

Energy management and fuel substitution incentives and costs will be embedded in our rates and capitalized, so the effects will be felt for years.

The true injustices of fuel substitution only become apparent when you take a good look at the benefactors. Benefactors are generally people with electrically heated homes who typically have an electric furnace with a ducted air-handling system which is easily convertible to oil or gas. These are typically found in large homes, and the people who usually consider conversions are those who have surplus cash to invest. Low-income families and the jobless, who are cash-poor, will not participate in most programs.

Low-income families tend to be higher electricity users, because they live in rental town houses and apartments which are usually electrically heated with baseboard heaters. The baseboard heating is sold on a basis of lower first cost and to maximize floor space. Conversions to gas or oil in such accommodation is virtually cost-prohibitive. Extensive interior renovations are required to install the ducts and chimneys and at a considerable loss of space. With rent controls, landlords are not likely to participate, nor are the tenants interested in the loss of space.

In the commercial and industrial sector, marginal establishments are not going to invest in fuel substitution programs. These firms have far more significant priorities to stay afloat. They will, however, pay for such subsidies to others through the electric rates.

The benefit of these programs appear to be targeted towards the well-to-do and the cost weighs heaviest on the economically disadvantaged.

I believe we must look to the whole issue in a lot wider context. The whole basis for energy management and fuel substitution stems from Ontario Hydro's original demand-supply plan, which examined both supply and demand and management options for Ontario's future power requirements. The original plan is now clearly out of date.

When the plan was released we were at the end of an economic boom period. This was before the current recession, before the cross-border shopping and before free trade. The plan put a cost on new power supply based on high interest rates and high inflation. The need was based on continuation of the booming economy of the late 1980s.

But let me simply ask, what costs are we avoiding today? Our load is not growing; in fact, it is shrinking. Major power-consuming industries are restructuring and these loads will not come back. Why then are we giving away subsidies for energy-efficiency improvements? Why are they as large as they are? They must be reviewed.

It is our clear understanding that the higher electric rates already lead to higher energy efficiency in new design and in retrofits. Our customers are shifting from electric water and space heating to gas without incentives.

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In conclusion, the energy management and fuel substitution incentives should be reviewed in the context of the new demand-supply plan, recognizing current economic realities. We therefore recommend that the amendment to Bill 118 for the addition of paragraph 3 to subsection 56a(3) providing for fuel substitution be deleted, that is, the paragraph which includes, "The conversion of a space heating system to a system that results in the greatest energy conservation in the circumstances" as part of Ontario

Hydro's business, and that the government requests Ontario Hydro to place a moratorium on the expansion of energy management incentive programs until their economic justification can be clearly determined in the context of the updated demand-supply plan.

Section 95a is a proposed amendment which allows utilities to expense the capital energy conservation programs. We are opposed to this amendment for various reasons. We are primarily concerned with the amendment because it is very loosely written. Our rates and our capital budgets are quite closely regulated by Ontario Hydro, but this seems to imply no regulation. Let me ask, could this be misused by municipalities to attract industries through energy conservation grants? Could it be misused to finance public relations programs of questionable value? No doubt such capital expenditures require Ontario Municipal Board approval if the funds were to be borrowed. This places a burden on future commissions and ratepayers.

Our submission simply is this: Do not capitalize programs other than the hard assets such as the facilities, the equipment and the plant. We recommend that section 95a pertaining to the capitalization of energy conservation programs by municipal utilities be deleted.

In conclusion, Mr Chairman and members of the committee, I appreciate the time you have given both John Wiersma and myself, and we are available if you wish to ask any questions.

**The Chair:** Gentlemen, thank you. Mr Cleary, one question.

**Mr Cleary:** I know the Chairman is keeping a pretty close eye on us here. I think you gentlemen have made a lot of good points and we appreciate your taking time out of your busy schedule to come in and do so, and I will leave someone else a little more time.

**The Chair:** I should point out, and I am not intruding on anybody's time, that we appreciate the summarization of the recommendations that is at the back of the submission.

**Mr Jordan:** I too would like to thank you both for your well-researched presentation. As the chairman has noted, taking into consideration the summary of recommendations, do you really see a need for Bill 118?

**Mr Wiersma:** If I could answer that, I think the accountability mechanism for Ontario Hydro probably needs some review. We made reference to the Ontario Energy Board, what role it really plays. To date it has not played a regulatory role, and we question whether that is an appropriate role. Do we see a need for Bill 118? Clearly, we do not see a need for a lot of it.

**Mr Jordan:** Under your conservation programs, this is a \$7-million program.

**The Chair:** Describe what you are talking about, because the transcript will not show the picture, unless you want to file that as an exhibit.

**Mr Jordan:** The \$7-million program by the present government to give away two lightbulbs. It says on the package, "Compliments of Ontario Hydro and your local utility." Were you consulted on this program?

**Mr Mason:** Not really.

**Mr Wiersma:** We were not consulted on the program and as a matter of fact, it was not accepted by our commission. It was deemed to be wasteful and we questioned the mechanism for delivery.

**Mr Huget:** Thank you both for your presentation. Just for the record, you will notice that Mr Jordan's exhibit is still in the bag. There are questionable results from energy efficiency initiatives that are still in the bag in which they were mailed out, so perhaps we can have some more education from Mr Jordan as well.

**Mr Jordan:** You will find that across the province.

**Mr Huget:** We were talking about the accountability of Ontario Hydro and you mentioned there is some need for some enhanced accountability. I wonder what your view would be on that accountability coming from the government of the day and elected officials and elected members of Parliament, ensuring that accountability to the people of Ontario, whether you see that as something that is beneficial or what.

**Mr Wiersma:** Our concern is that this mechanism may lead to extra costs, other than the costs of simply supplying power. That would be our primary concern, that this would increase the cost of power if policy directives pertain to other types of programs that are not confined to the Power Corporation Act.

**The Chair:** This committee thanks you for taking the time to be here this afternoon. It is important that you and others like you across the province have been interested enough to get involved and to make your views known. We appreciate it, we thank you, and have a safe trip back home.

#### CANADIAN ENVIRONMENTAL LAW ASSOCIATION

**The Chair:** We are now going to speak with the Canadian Environmental Law Association. Please come on up, have a seat, tell us who you are or what you do for the Canadian Environmental Law Association. We have 20 minutes. Please try not to spend any more than the first 10 on your submission, because we have your written material. Obviously the productive part of this is the exchange that takes place between committee members and presenters.

**Mr Makuch:** All right, let me begin by introducing myself and my partner. My name is Zen Makuch. I am a lawyer with the Canadian Environmental Law Association. My partner is a researcher with our association. His name is Craig Boljkovac. What we do as an association falls into two streams. We represent public interest groups when it comes to administrative tribunals and court cases in environmental matters. Aside from that, we have a long history of speaking to various levels of government on policy matters. We have something of a history when it comes to energy as well, although you will notice from the youth of the people who are speaking to you that we do not go back 20 years in terms of our expertise in these matters.

I would like to thank all of you for the opportunity to address the committee. We understand the importance of the work. That is why we are here today. We do not want to lose you with respect to all the tiny technical details of

our submission. We have 15 pages for your review. There are essentially two aspects to what we will speaking to you about today. They include the public accountability aspect of Bill 118 and the fuel-switching aspect. I will start with the public accountability aspect and I will pass on to my partner. He will talk about fuel switching.

We want to get a few very direct messages out to the committee. The first one reflects our concern as a public interest organization with the necessity of getting some kind of control over this massive corporate monster that we call Ontario Hydro. Our sense of it is that when the mandate of Ontario Hydro first developed, utility experts were really the focal point of the electrical system planning aspect of what we do here. My sense of it now is that over the past 20 years, beginning in 1971 or so, various royal commissions and other committees have gradually come to know that the citizens of Ontario are increasingly concerned with the ongoing activities of Hydro. I conceive of Bill 118 as the logical progression along that road.

Very recently it has been made clear to me that all three political parties are very interested in understanding how public accountability fits into Hydro's agenda and I think Bill 118 is consistent with an analysis of how that might take place. It seems to me that accountability is the largest problem we are facing here, aside from the fuel-switching matter which my friend will speak of, and my sense of it is that it is not only accountability to citizens of Ontario but, through the Legislature, it is through regulatory institutions and, of course, to the customers of Ontario Hydro.

Why is it needed? It seems to me that economic decision-making, as it has taken place through this institution over the past 20 years, has resulted in some problems, including a \$30-billion deficit. Can you conceive of any private corporation that can manage that kind of debt financing?

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The second concern that is most eminent when it comes to us as an environmental law association is that environmental decision-making tends not to have happened. There seems to be a kind of policy vacuum around environmental decision-making, and what that has perpetuated is a number of problems coming from nuclear, coal and hydraulic generation. Then, as I have said before, there is a clear desire by the citizens of Ontario to become more involved in this process as the politics of power generation become more and more apparent in the public arena.

In terms of what Bill 118 accomplishes, I think there are a number of mechanisms that seek to go down the road of public accountability, the most prevalent of which comes with respect to section 9a dealing with policy directives. The language is much stronger than it was previously. We are talking about policy directives now instead of policy statements. We are also talking about prompt and efficient implementation of those directives. Beyond that, I think one way of accomplishing some further transparency or an effective, accountable role would be to make such policy directives in the future a matter of public record.

To move on, as far as expanding the board of directors is concerned, the recent slate of appointments would seem to represent in a much better fashion the public interest, and an additional four appointments could only achieve

that in some further measure. That is consistent with the Liberal policy from the previous administration. The establishment of a position for the deputy minister and that kind of appointment also provide a useful liaison and watchdog function. I agree with former minister Jenny Carter's remarks in that regard.

As far as the chairmanship of Hydro is concerned, it seems that by making the chair the CEO and knowing that the chair is a government appointee there is something more to be gained through the accountability function in that regard.

As far as what we might be able to do to enhance regulatory power beyond the Power Corporation Act is concerned, if you could permit a small digression, it seems to me that OEB reform is a necessary part of that. We have outlined what we would like to see changing with the OEB's mandate over Hydro in chapter 8 of the Ontario Global Warming Coalition report entitled Degrees of Change. I would be willing to make that available to any members who are concerned about that issue.

Finally, we would like to see a Power Corporation Act amendment at some time in the future, which we do not have slated now, that creates something of a new conservation strategy for Hydro. That mandate is very important, given developments in the United States and across other provinces.

That is the substance of my remarks. There is a very clear message here: As a public interest organization, we encourage the enhancement of some accountability function for Hydro. I will pass the speaker's chair on to my partner, Mr Craig Boljkovac, who will talk about fuel switching.

**Mr Boljkovac:** Zen mentioned a few minutes ago that CELA was a member of the Ontario Global Warming Coalition, which is a coalition of 10 different environmental groups with highly varied interests across the province that released a report entitled Degrees of Change in June of this past year.

Degrees of Change came about in response to a need to address the problem of global warming. The intergovernmental panel on climate change, which is a United Nations and world meteorological organization body that brings together approximately 200 to 300 of the most eminent scientists in the world that do research concerning climate change, have recommended that a 60% reduction in greenhouse gas emissions for the long-term greenhouse gases such as carbon dioxide is essential to get back to 1990 levels in order to combat climate change. It is one of the most incredible challenges that we face environmentally today.

Fuel switching does not go a heck of a long way towards addressing that, but in a perfect world, if all the electrically heated homes in Ontario switch 50% to natural gas due to availability, and oil for the other 50%, we will get a figure of a 3.3% reduction in carbon dioxide emissions. Once again, that may not seem like a lot, but in combination with thermal envelope improvements, other energy conservation programs and other endeavours, such as cogeneration, it would go a long way towards reaching at least the 20% interim Toronto target we have cited in degrees of

change, which was seen as a necessary interim short-term step in combating global warming itself.

For the capital expenditures for fuel switching in Ontario, we have also used some statistics from some of the other groups that are now appearing before the demand-supply plan hearings and we have broken it down within the brief to approximately, for a multistorey home, which is one of the most expensive types of home to get duct work into, under a \$10,000 capital expenditure for fuel switching. Mr Franklin, the former chair of Ontario Hydro, mentioned in a speech, I think about a year and a half ago, that it cost something like \$50,000 in capital expenditures to provide the approximately 15,000 kilowatts the average house needs to be electrically heated. That is totally unacceptable.

The environmental consequences of massive hydro-electric projects, such as the Conawapa dam—Conawapa is something Ontario Hydro is planning on buying electricity from—or something like Hydro-Québec, from thermal plants that use coal, which are only about 30% efficient, and from other sources definitely have effects on the environment. There are also transmission losses from source to point of use as well. So we feel that fuel switching, while it is switching to yet another type of fossil fuel and is not a great long-term solution, at least is a good interim step in eventually getting us on the road to having renewable energy sources for home heating and for all energy use in Ontario. That is about it. Thank you.

**Mr Makuch:** Now of course we are available for any questions you might have, although I would like to reserve the right to provide written remarks since we do not have that much time to deal with the questions.

**The Chair:** Quite right. I am sure there are questions.

**Mr Arnott:** Thank you for your presentation. I am not sure if you were here for the presentation of the Canadian Bar Association—Ontario earlier this afternoon.

**Mr Boljkovac:** No.

**Mr Arnott:** In their submission they indicated that it was the view of the Canadian Bar Association—Ontario that Bill 118 included a retroactive change which meant that the chairman of Hydro became CEO of Hydro effective the date of first reading. I believe the gentleman used the word "offensive" in that respect, that it was offensive to the Legislature if that sort of tactic was being employed. How does your organization feel about that?

**Mr Makuch:** I am not particularly concerned about the political struggles that have been taking place around the personnel involved and that appointment, to tell you the truth. My concern is that for the future we have those two separated and that the chairman should be the CEO for Hydro because of the accountability function that would be served thereby.

**Mr Arnott:** But no concern about the nature of the situation now?

**Mr Makuch:** I have not given a great deal of thought to that. It would seem to me there was a quite a bit of political wrangling about it at the time. In terms of outcomes with respect to that move, if you want to call it dirty

politics, I have not seen any negative impacts in terms of decisions that have taken place since that took place.

**Mr Arnott:** Normally the legislative process would suggest that not until a bill has passed third reading, been given royal assent and been proclaimed do the provisions of that bill become law.

**Mr Makuch:** It would seem to me that this is a technical legal point. If there is any real damage done, then someone may want to pursue that through the courts.

**Mr Boljkovac:** I just have a quick statement. In my opinion, it is not that big a deal. I am just a little dismayed by the fact that the appointment of Mr Holt to the Ontario Hydro chairmanship was done in a way that set a precedent as well. I am not agreeing that two wrongs make a right, but the fact that a subcommittee of the board made a virtually unilateral decision to put someone else in to replace Mr Franklin without consulting the government to me is a greater problem with usurping the democratic process than decisions that are made by the democratically elected government of the province.

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**Mr Jordan:** Thank you very much for your presentation. I will direct this question to the research division. As you have stated, for instance a gas-fired steam generating plant is not very friendly to the environment, the CO<sub>2</sub> emissions are not acceptable. Would you enlarge on that?

**Mr Boljkovac:** A gas-fired central plant?

**Mr Jordan:** Yes.

**Mr Boljkovac:** No. I was saying coal-fired plants have only about a 30% efficiency. Gas-fired furnaces in the house, at the point of use, have efficiencies of up to 93%. So while you are still burning the fossil fuel, you have taken away transmission losses from the source of the energy to the point of use and you have also increased efficiency tremendously as well in providing home heating.

**Mr Jordan:** You would prefer individual chimneys on each house or exhaust from each house from a gas furnace, rather than one large central gas—

**Mr Boljkovac:** One large central gas supply system?

**Mr Jordan:** Right.

**Mr Boljkovac:** As it stands right now, peak period demand is usually met by coal-fired plants.

**Mr Jordan:** You are missing my question. Relative to the environment, would you sooner have one large emission stack or would you sooner have stacks across the province from each household?

**Mr Boljkovac:** I do not think either is a great idea. We are not incredibly thrilled with the use of fossil fuel for any utility generation.

**Mr Jordan:** You would have to agree that is where we are headed should we need new generation in a short period of time.

**Mr Boljkovac:** I will have to study that and get back to you.

**Mr Waters:** There has been much discussion during these hearings about who should pay for the cost of switching. I am going to pose it maybe in a different way

than other members have posed the question. Do you see that it is any different that we are asking Hydro to come up with a plan to assist people to switch? Do you see that as being any different from Hydro building power plants we do not need because of inefficiencies within its system or not promoting conservation or paying people to go off the other forms of fuel to go on to hydro, which is inefficient, which really did not save them any money to start with? We are now saying to Hydro: "We want some conservation. We want to have a look at this and we want to have people use a more efficient heat." Do you see any difference in subsidizing people going one way or the other?

**Mr Boljkovac:** Going one way? You mean off electricity instead of on?

**Mr Waters:** Yes, than when we subsidized them to go on to it and it was not efficient at all.

**Mr Boljkovac:** The efficiency speaks for itself.

**Mr Waters:** What I am saying is that we see that as a correction.

**Boljkovac:** To me, it defies logic that you would go on to electricity in the future. It is pretty well proven, given the type of electricity that is generated in Ontario that goes towards space heating, that it would not be logical for Ontario Hydro to continue to encourage that. In fact, CELA takes the position that environmentally it is highly detrimental and we, as a public interest group, do not accept that. For Hydro to turn around and try to make amends for a mistake that was made 30 years ago and a policy that has continued to this day and is enshrined in the present act, CELA does not believe that is a big problem.

I am not sure exactly what you are getting at here. It may be that another body might be more suitable in encouraging conservation, other than Hydro? Is that what you are suggesting?

**Mr Waters:** No. We have had some hydro commissions and so on come in and say that hydro customers should not pay for the people to switch, yet—

**Mr Boljkovac:** But what they are doing is avoiding a capital expenditure in the future for increased power plants. We are taking people off electricity. Thus demand for new capital expenditure for new plants to meet the growth that is expected once we get out of this recession, whenever that will happen, is sort of a banking on the future, that there will be extra supply there.

Mind you, the supply itself—coal-fired generation that occurs at peak periods—is not a desirable thing, but at least there is time to bring non-utility generation on line that is less detrimental to the environment. It buys us some time and it frees up some generating capacity so we can mothball the really nasty stuff that is really bad for the environment and try to bring on line power generation that is less detrimental.

**Mr Waters:** Hydro at the present time is just starting, and I do not know how wide it is, to look at replenishing some of the turbines in its hydroelectric plants throughout the province, these plants that have been sitting there since the early 1900s running on the original turbine. They are finally starting to look at putting in something somewhat

more efficient. I was wondering if you feel Hydro should move towards that, checking on them all and bringing all those plants up to maximum efficiency, if you said would be a good way for Hydro to move.

**Mr Boljkovac:** To make a blanket statement without knowing what plants are out there, the size of each hydro-electric project and the effects of each project on the environment—I do not think I am prepared to answer that. You see, to increase efficiency, we are still going to need electricity to some degree in the future, and to upgrade these plants would be a more acceptable capital expenditure than upgrading the turbines in a thermal plant.

**Mr Waters:** I am not saying, "Build new dams." What I am saying is taking strictly the turbine that is in there. You have the same headwater pond as you had before. All I am saying is that if you could increase the efficiency of any plant two to three times what it is now—the production.

**The Chair:** Thank you, Mr Waters.

**Mr Conway:** Gentlemen of CELA, because I think my friend from Cornwall may have a question, I have just one area of interest in what is a very thought-provoking presentation. I am very struck by the opening pages of the brief, which concern themselves with accountability. I am bit puzzled, however, that you seem to find this as comforting as you do.

We are dealing with the bill as presented in first reading. There have been some amendments offered.

Let me play the devil's advocate for a moment. What would you say if I said, in response to your sense that this bill really provides quite a good level of accountability, that what we have here, as initially presented, is a bill that does the following: At an administrative level, it takes away the right of the cabinet to set the salary and terms of employment for the CEO and chairman. I do not want to make too much of that, but it seems to me that if I were advancing a brave new world in which accountability and openness were going to be the order of the day, I would not have moved back, as Bill 118 did in the first instance. To the government's credit, recognizing the difficulty with the contradiction contained in that, it of course has moved to reinstate the provision.

Second, we have a situation in this bill as originally introduced that the directive power, very sweeping in Bill 118, is not contained at all. Of course with the amendment the minister has offered, it will be contained to some extent. But nowhere in this bill, either as presented or amended, do I see, for example, a provision that would say that any directive power, such as the type that is now contemplated, with the cost to the Hydro ratepayers that will attach to that, must be laid before the people of the province.

When I take all these things together, I ask myself the question, where is this accountability, presumably to the Legislature, although I notice, and you make a very telling point on page 3, I think it is, that you imagine, and I think to some extent rightfully so, accountability not just to the Legislature but to regulatory agencies and to the public at large? Tell me why I should not be a little suspicious of your te deum of praise to accountability in this legislation,

where there seem to be two or three things, right off the top, with the bill as presented in June 1991 that would make me very dubious about the accountability.

**Mr Makuch:** We did not get to the point with respect to who ought to be determining the salary of the chairman. In that regard, given the recent debacle and the ultimate decision of this government to set it out at \$260,000, it would seem to me that you are right, we should probably leave it to the cabinet, not the board, to make decisions about salary.

As far as directive power goes, we know that the intention of the minister has been to deal with that matter only in so far as it applies to the present mandate of Hydro, so MEA's concerns about using this as a tax grab do not really matter to us.

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**Mr Conway:** But you are lawyers, gentlemen. You are lawyers, presumably.

**Mr Makuch:** He is not.

**Mr Conway:** Well, one of you, I presume, from the Canadian Environmental Law Association. Surely you know enough to realize that we are dealing with statute here, and what this minister might intend. Just six months ago we were being told that we were looking at two and three years of double-digit price increases, and now happily that policy has changed. Ministers can change and apparently ministers' ideas of the world can change.

We are dealing with legislation, a significant amendment to the Power Corporation Act, and I would have thought CELA would have wanted to tie these things down without any regard to a minister per se, but the policy that must stand the test of at least a government or two.

**Mr Makuch:** It would seem that there has to be some qualification of the nature of the policy directives that would take place. We are concerned even at present about the way some of those policy statements, one of which you supported, have created some significant problems in terms of costs for the citizens of this province. I would agree to the extent that perhaps that directive power should be fleshed out in more qualified language, especially since the Minister of Energy has already decided that he would make such qualifications. So an amendment in that regard would be necessary.

**Mr Conway:** Would you support an amendment that would say any directive that is issued should, within a very short period, be laid before the Legislature or the public generally so we could see what this new directive was? No provision for that is contained in Bill 118 as it is currently written.

**Mr Makuch:** When we asked for one mechanism, the mechanism we supported was one of making policy directives public. That is one way of dealing with that problem. I suppose the second way that the problem is dealt with, not so much from a public accountability aspect but certainly one which deals with the relationship between government and Hydro, comes by way of the consultation that is supposed to take place before implementation of the policy directive. We have seen that amendment. We are

comfortable that is another way of achieving it, but I do not necessarily believe we can deal with policy directives by referendum.

It would seem to me that the process does have to be fleshed out, but we simply cannot afford, in terms of government efficiency and efficiency with respect to decision-making, to go in such a full-blown manner every time a policy directive takes place. There should be greater public involvement than was the case with respect to the now policy directive with respect to the AECL situation and the Elliot Lake situation. We are clearly not comfortable with that kind of secrecy, but we believe Bill 118 does head us down the road towards some further public accountability, so those situations can be brought out more effectively in the future.

**Mr Cleary:** Thank you, gentlemen, for your presentation. I just wonder what you think of a program that Hydro had initiated. My friend Mr Jordan here has been carrying around a pair of lightbulbs for a week or so now, a package like the one that has been delivered to every household in this province at considerable cost. I just would like to get your remarks on what you think of this particular program.

**Mr Boljkovac:** We at CELA think it was basically a waste of money. I am not sure of the exact figure. How much was spent?

**Mr Jordan:** It was \$7 million.

**Mr Boljkovac:** To spend \$7 million on a program to give people incandescent lightbulbs when compact fluorescents last longer and use far less electricity is not in the best interests of the people of Ontario. There are good conservation programs and there are bad ones. We believe it was not necessarily in Hydro's best interests to make that decision.

**The Chair:** One wonders who was consulted. It was obviously not CELA nor me.

In any event, Mr Makuch and Mr Boljkovac, thank you very much for your time here this afternoon. We appreciate your coming. As I have told others on behalf of the committee, we are impressed with the eagerness of so many people to participate in this process and the skill, talent and insight they provide to the committee. Once again, it supports the argument that those \$1,000-a-day consultants are overrated. There are obviously a whole lot of smart, hardworking, interested people who are willing to help government. We should be looking to them more often. Thank you, gentlemen.

**Mr Makuch:** Thank you, Mr Kormos. We were happy to take part.

WILLIAM COPPS

**The Chair:** We have one more participant today, William Copps. Sir, please have a seat. We have 20 minutes. Please try to leave us some time for some dialogue.

**Mr Copps:** Yes. Ladies and gentlemen, the reason I am here today is that I am a victim of Ontario Hydro and the city of Toronto Hydro. I have been subjected to their whims for the past 25 years.

First of all, I will start at the beginning. In 1966, I bought a home in midtown Toronto. It was a 100-year-old

home, just like the gentleman from Millbrook. I listened to the TV ads that said, Live Better Electrically. Everybody was going electric. I called Toronto Hydro and got the information and they said they would send a man around. This was before I moved into the house. It was still occupied by the previous owner and it was just this time of year, February. I remember his words saying, "It's a good time of year because it is cold and we will be able to do a heat-loss survey in your house."

He went and did the heat survey and he sent me a letter saying what it would cost approximately per year to heat the house. Granted, that was 25 years ago. He said I could heat the house for \$700. Gentlemen, I must say it has never been anywhere near \$700; \$1,500 perhaps is more like it, and now it is into \$2,000 a year.

I am caught in the middle here. I must apologize for coming without a presentation. I called Hydro. Perhaps that was my first mistake. I am getting off the track here. I called them and they were to get back to me as to when this committee was meeting here. I called here to the House a couple of times and to the committee office, and they said they were going to start up north last week. I saw where you were in Thunder Bay or somewhere up there, so I called them last Friday and asked when you were going to be here. We went through three or four different calls here in the building to find out where this committee was and what it is all about.

This is how I got here today. The girl came back on and said, "Would that be under An Act to Amend the Power Corporation Act?" My first thought was that the power corporation, the giant that we all know about, was in Montreal. I said, "Well, maybe it is." Then she said, "I think this is it," and that is how I got on to this. This was closing time on Friday, so I am apologizing for not bringing in a presentation. I do not think I could really put in writing what I have to say.

My first hassle with Ontario Hydro by way of Toronto was when I put in the wall units. My electrician put them in. The inspector from Ontario Hydro came and he went around and looked all around. He said, "Where is your service box?" I said, "It is downstairs," and he said, "How did you get down there?" I said, "I had to go down the ladder." You understand that I had gutted the whole house. He said, "Ontario Hydro doesn't pay me to go down ladders," and I said, "Well, come back when we get the stairs in." He said: "I'm not coming back. Toronto will have to do it."

We went through all that to get the installation on. I thought, here it is, here is that wonderful "living electrically." It is starting for me now. I guess at noon the first day I had her on everything was humming. It was great, but it just never got up to any particularly comfortable spot in the heating. I said, "Look, there's something wrong." My kids were children then and they were running around in their snowsuits. They couldn't get warm.

1700

I called Toronto Hydro. They sent over a guy and he gave me a gobbledeflap saying, "You're on the wrong circuits, you're on this, you're on that." A whole bevy of them came over and said: "Something's happened here. This

area is the grid. Between Spadina and the Don, between Bloor and the lakeshore it's in the grid." I said, "What does that mean?" They said: "All this is going to be high-rise. We're all going to be 208 volts, and you are 220 to 240. You are only getting two thirds of the heat that you should be getting." I said: "Whose fault is that? Your inspectors were here and looked at every one of these things," and they said, "We didn't know."

I cannot turn on the washer. It is still not on. It is still sitting in the basement gathering dust because I cannot put in a 208 line to where it is located. I burned out every switch in the stove. Attempts to get the heat up to where it was supposed to be burned out every switch.

The only consideration I got from Toronto Hydro was Mr Hyde, who at that time was the general manager. He came over on his own time one Saturday morning and he just shook his head and said, "My God, what is wrong here?" I told him: "Look at this. You try any one of these burners, the oven, the whole thing; they're all shot." These were brand-new stoves. By the way, when I went to get the stove at Eaton's, to get it changed, the people selling appliances at Eaton's had never heard tell of 208 volts. Guys who were selling appliances there for 25 or 30 years had never heard tell of 208. Anyway, Mr Hyde was the only one who gave me any concession. He sent over a converter with a man and converted the stove to 208 from the 220 or 240 I had.

I am not an engineer. I do not know anything about it. Mind you, I know a little more about it now that I did then. Several beves of experts came over. Everybody had a different thing. They said, "Oh, your insulation is wrong." I said: "Well, you guys supervised it. You told me exactly what to put in here. You sent people over here to check and everything was fine." They said, "Well, it's terrible," so I said, "Get it out." I told them, "Look, if this is Live Better Electrically, I'm going to take this stuff out of here if I have to take it out myself."

In the meantime, I got the bill. I could not afford to get out. I think the first bill I got from them was \$2,100, because that thing was spinning around all the time. I got the Ontario Hydro guys and they just said: "Take it up with Toronto again. That's theirs. That's it."

I tried to locate some of those people who I dealt with in the first place. Most of them have gone to their rewards or perhaps the alternative route I offered them a few times when they came by, but they all said the same thing, "Well, you should have got us here," but I did get them there.

As a matter of fact, I went up the street and I saw that a guy right at Charles Street was installing electric heat and he had a sign up. I went up to the fellow and I said, "What size are your burners? What size are your heaters?" He said, "They're 220." I said: "Yes? Check them again." He said, "They're 208." I said, "If you want 220s, I got some." He checked it out and he was told he needed 220, not 208. That was just something else entirely. Yet again I was told by Hydro from Bloor Street to The Bay it was all 208. This is planning, eh? This is when we were going to be all high-rises.

One of the Hydro people had the colossal gall to tell me to go to the Toronto school board because they had lots

of used stoves, that they would sell me one that is 208 and that I could get a refund from Eaton's. How about that?

One of their men came over and he said, "I don't think there's much you can do about it." I said: "There isn't, eh? We'll see about that." I think I was one of the first cases in front of the Ontario Ombudsman. My submission was turned down: "That's city. Go to the city. We're too busy with other things."

I am still bugging Hydro. The last time I had anything with them, I sent them a letter saying I wanted my case reviewed. I got a nice letter back saying they did not know what I was talking about. They said the only record they could find for me is that I have always been at the top of the list of accounts receivable—unpaid. The gentleman talked about the poor people here living in high-rises. There are some people who really are not what you would call below the poverty line, like myself, because we are supporting Hydro on this deal. I am, anyway.

I am sure if your committee—again I will be a little critical—had advertised this a little better, you would have plenty of people here in front of this committee saying how they have been used and abused by Ontario Hydro.

**The Chair:** I should tell you before we open for questioning that yes, Mr Copps, we have had an incredible response to these committee hearings.

**Mr Copps:** In Toronto?

**The Chair:** In Toronto and across Ontario. You are not alone in your concern.

**Mr Jordan:** Thank you for expressing your dissatisfaction with service, Mr Copps. I understand this installation would be done by an electrical contractor.

**Mr Copps:** That is right.

**Mr Jordan:** I do not want to be protecting anybody here, but my observation of what you have explained this afternoon is that rather than a real problem with the utility, the contractor must have given you an installation price to do that job.

**Mr Copps:** Yes, he did.

**Mr Jordan:** Then I would suggest to you that he had a responsibility, surely, to establish the type of equipment needed to function on the service that was available to your home, and 208 voltage is a quite common voltage off a three-face circuit.

**Mr Copps:** You are talking above my head again. I am not an electrician. I do not know. All I know is that the gentleman who was installing it knew nothing about 208 in downtown Toronto.

**Mr Jordan:** Yes, so you had a combination of power.

**Mr Copps:** I had a combination of power. I called Hydro in. They got Ontario Hydro. The guy would not go down the stairs; he would not go down the ladder. He said, "Hydro doesn't pay me to go down the ladder."

**Mr Jordan:** I think, in fairness to the utility, we cannot judge the whole utility by one individual.

**Mr Copps:** The reason I said that is that right now I have a town house. As I said, it is 100 years old. I only use the first floor where there is the kitchen and the family

room. Upstairs has been off for three years because I cannot afford to heat it. There is something wrong. If that is the case, I do not know why Hydro has to raise the rates, because it sure is taking in a lot of money if they are all like me, believe me.

**Mr Waters:** I am going to ask a question similar to what I asked the last people. You said that what got you hooked on this was Live Better Electrically.

**Mr Copps:** That is right.

**Mr Waters:** From the local municipality's Hydro you moved on into Hydro and you took it at its word.

**Mr Copps:** Yes.

**Mr Waters:** It has cost you a lot more than what you ever expected it to be.

**Mr Copps:** That is right.

**Mr Waters:** You found it to be inefficient and unsatisfactory. Do you feel now that same Hydro that convinced you that you should go to its service should pay for you to go off or assist you to go off and go to something that is more efficient and that will heat your home?

**Mr Copps:** I think so. I think I have already paid the down payment on it more than once.

**Mr Conway:** Mr Copps, you sounded like you were back in your old reportorial days, ready to slay the dragon.

**Mr Copps:** You complimented the good CBC pension. The CBC pension is going to Hydro.

**Mr Conway:** I would have thought your experience at the mother of all corporations would have given you a particular ability to take on Hydro.

**Mr Copps:** I must say that I have not given up yet.

**Mr Conway:** One of the questions we have struggled with in this debate and will continue to struggle with for some time, because it has faced all legislatures and all governments since the creation of the Hydro-Electric Power Commission of Ontario some 90 years ago, is the accountability. I was struck by the previous witnesses because they find great comfort in this bill in so far as accountability is concerned. I am not as comforted, simply because I cannot find the evidence. I think they are more disposed to take a leap of faith than I am, and that is probably not a great surprise.

On the basis of your very happy experience, richly detailed a moment ago, what would you say or see as a better kind of accountability mechanism to deal with unsatisfied customers such as yourself in the case before us?

**Mr Copps:** I think first of all you would have to get it down in common sense, common language. As an example, a few years back I was running a hydro water tank and it started to leak so I called them and they said, "Well, we'll change it." Fine. So they brought the tank over, put it down and we are hooking it up. I said to the fellow, "Did you know this is a 208 house?" He said, "208? No." I said, "Yes, it is." The other tank was already out on the street ready for the garbage. He went out and took the plate off it, brought it back in and he said to the other guy, "Look, he's right, it is 208." So I had to wait two days for them to bring another tank.

Now, either their staff is not informed of what is going on or—when I asked for a converter for my dryer they said, “We don’t have converters any more.” I still have one under my stove, from 240 or 220 to 208. It says right on the plate of the heaters you get: “Under 208, you get 500 watts, 5000 or whatever it might be. Under 220 to 240, you get three quarters of that.” In other words, if it is a 1000-watt heater you get 750. If you are using a—

**Mr Jordan:** If you put 208 on a 240-watt heater.

**Mr Copps:** Yes, that is right. That is why the house is only getting three quarters of its heat. We heard a few people here say in their remarks, young people—I do not know whether you remember, but Hydro went through the whole province some years ago and changed 25 watts to 60 watts right here. You could not go live in the Annex. You could not move downtown because it was 25 watts downtown and 60 watts out here. Remember when they went right through the whole province?

**Mr Klopp:** Cycles, you mean?

**Mr Copps:** Cycles, yes.

**Mr Klopp:** Okay, I thought you said watts.

**Mr Copps:** They went across the province and did the whole thing.

**The Chair:** Mr Copps, the transcripts of these proceedings are well read. The Office of the Premier reads them, no doubt, at the very least to see whether I have said anything out of order, and I have no doubt that Hydro is reading them carefully. I trust they will take heed of what you have said. I appreciate your coming; all of us do. Your insights as a home owner and a consumer are valuable. You have been most forceful in your presentation and we appreciate the chance—

**Mr Copps:** I think that is what happened to Hydro: They have forgotten about the consumer.

**The Chair:** Thank you, sir. Good luck with the issue. We are adjourned now until 10 o’clock tomorrow morning and I hope all of us would make every effort to be here on time because persons wishing to participate are inevitably here and it is unpleasant to have them wait.

The committee adjourned at 1713.

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Tuesday 21 January 1992

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Power Corporation  
Amendment Act, 1991

### Comité permanent du développement des ressources

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday 21 January 1992

The committee met at 1005 in committee room 2.

### POWER CORPORATION AMENDMENT ACT, 1991 LOI DE 1991 MODIFIANT LA LOI SUR LA SOCIÉTÉ DE L'ÉLECTRICITÉ

Resuming consideration of Bill 118, An Act to amend the Power Corporation Act / Projet de loi 118, Loi modifiant la Loi sur la Société de l'électricité.

**The Chair:** Good morning. It is 10:05 and we have managed to garner at least one at least one person from each caucus and, in the case of one of the caucuses, two people. So notwithstanding that the majority of people are not present, it is not necessary to have a quorum to conduct these hearings. We will commence because people have been waiting; people expected these hearings to commence at 10 am.

### ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

**The Chair:** The first participant is the Association of Major Power Consumers in Ontario. Speaking on their behalf, I understand, are Arthur Dickinson, executive director, and Syd Olvet, a member of the board of directors. Gentlemen, if you would please come forward and seat yourselves, tell us which of you is whom. You have 20 minutes. If you could, try to keep your initial comments to under 10 minutes, because inevitably the most productive part of these session is the dialogue and the interrogation that takes place after the submission.

**Mr Dickinson:** We will certainly try to keep our presentation short. It is written and I will be reading it. I may have to speed up towards the end.

**The Chair:** Feel free to summarize some of the paragraphs, to précis them, in view of the fact that dialogue is inevitably more important or more productive, because this brief is part of the record now.

**Mr Dickinson:** May I start by wishing members of the committee a good morning. My name is Arthur Dickinson and I am executive director of the Association of Major Power Consumers in Ontario, normally known as AMPCO. My colleague is Syd Olvet, and he is a member of the board of directors of AMPCO.

AMPCO is an Ontario-wide association that represents cost and reliability concerns of companies that are electricity-intensive and use large amounts of power in manufacturing and processing activities. AMPCO represents some 60 member companies operating in more than 190 locations in Ontario. These companies are involved in mining, pulp and paper, vehicle manufacturing, oil, chemicals and petrochemicals, cement, steel, abrasives and consumer products.

In 1990, our members provided direct and indirect employment estimated in excess of 680,000. They also con-

sumed over 16% of Ontario Hydro's primary energy sales, at a cost of more than \$900 million. Their impact on the Ontario economy is huge.

I would like to establish how important electricity is to these companies. The cost of electricity typically represents between 10% and 25% of their final manufactured product costs, rising as high as 70% for the industrial gas sector. In other sectors it may be below 10%, but it represents an enormous dollar figure, typically in excess of \$30 million. It can be as high as \$60 million, as I believe Inco has already stated.

AMPCO's concern is that Ontario Hydro will be opened up to manipulation by Bill 118 and there will be a move away from power at cost. Our message is that large power users in the industrial sector cannot support any initiatives which undermine the principle of power at cost. Bill 118 threatens to damage this principle significantly and will change the way Ontario Hydro does business, to the detriment of the province.

Basically, we have three concerns: the principle of power at cost which I have just mentioned, director's accountability and, last but not least, the issue of fuel switching.

The principle of power at cost has served this province well for decades, attracting industries to a region with highly competitive rates and a very stable supply of power. It has significantly contributed to economic growth and provided Ontarians with an enviable quality of life.

Economic development will be at risk if projected double-digit rate increases over the next two years occur, in addition to the 11.8% already imposed in 1992 and with the introduction of unnecessary amendments to the Power Corporation Act which would substantially change the way Hydro meets its obligations to the ratepayers.

Although the government has agreed to limit any policy directives to issues relating to the corporation's exercise of its power and duties under the act—that is, it will not change Ontario Hydro's mandate—interpretation of what that means is open to question.

### 1010

AMPCO firmly believes that the mandate issue has already been compromised by the government directing Hydro to commit a total of close to \$500 million in support of the Elliot Lake and Kapuskasing communities. AMPCO companies understand that the government feels a responsibility or an obligation to assist communities in economic stress, but we do not support supporting them through Ontario Hydro's rate base. That appears to us to be totally inappropriate. That support should come from general revenues.

From a practical point of view, it is very important that the major power consumers are reassured that the sector's needs for power at cost will not be compromised—which, unfortunately, we believe Bill 118 will do. The current

perception—and I think it is important for members to understand this—is that this is not the case, and that future rates will have activities like support for Elliot Lake factored in which are extraneous to Ontario Hydro's established responsibilities. The result will be damage to the investment climate and, more important, the risk of losing jobs in this province. That situation is already threatened.

You should also be aware that there are jurisdictions in the US where rates are below Ontario Hydro's. Even more important is the fact that the industrial rates established in Ontario in 1991 were the second most costly in this country. I do not think that is well understood, but it should be understood.

You have already heard from a number of member companies, and I will not repeat what they have said. You will be hearing from others in the next week. I want to stress again that we cannot afford to see the power-at-cost principle undermined or modified in any way. It has served this province well and we believe it should continue to be left untainted or unaffected by any legislation.

In terms of the director's accountability, our concern is that providing the minister with the authority to direct Ontario Hydro to perform or pursue particular policy initiatives will undermine the power-at-cost principle again. It is unclear to us that this power is needed. There is no evidence that Hydro has not recognized policy initiatives already delivered to it by governments in the past. In fact, the 1989 amendments to the Power Corporation Act require Ontario Hydro's board to respect government policy. We have seen no evidence whatsoever that this requirement is not functioning well. If it is functioning well, the act should be left alone.

Last, we want to touch on the issue of fuel switching. We do not have a problem with the concept of fuel switching itself. In fact, many of our member companies have switched fuels, typically from fossil fuel to electricity, and with an increase in electricity use. That is an issue that should be well understood; that is not unusual in the industrial sector.

The problem we have with the fuel-switching initiative embodied in the proposed amendments is that the cost of it will be loaded on to Ontario Hydro's ratepayers. This is totally inappropriate. For the major power-consuming industries which have committed to reducing their use of fossil fuels, recognizing the impact of those fuels on the environment, what it will mean is that their cost of doing business will increase. That is not in this province's interest; in fact, it will have the reverse effect.

Finally, I would like to point out that there is a unifying point in the issues we are raising. All three of the issues we are concerned about have a direct or an indirect impact on the principle of power at cost. We do not believe that is in this province's interest. It certainly is not in the industrial sector's interest.

The Association of Major Power Consumers in Ontario firmly believes that Bill 118 is ill-conceived and should be scrapped in its entirety. It will not serve this province well. I think that will end my remarks, and we are available for questions.

**Mr Conway:** Thank you, Mr Dickinson and Mr Olvet. I have just one question, and it has to do with power at cost. It is that oldtime religion, apparently. A number of people, and it seems to be a growing number of people, are telling this committee—not just telling the committee, but if one reads, God forbid, the morning papers these days, it is hard to ignore the attacks on that oldtime religion of power at cost as well.

What do you say to critics who would argue that AMPCO has a vested interest in maintaining the status quo because the status quo has in fact been subsidizing a lot of your constituent groups in ways that fairness and good marketplace rigour would not sustain in other circumstances—that power at cost is a shibboleth that we should look right through?

**Mr Dickinson:** To this point in time, as I said, power at cost has served this province well. It has attracted a lot of industry here. Anything that pushes up the cost of power will threaten the industrial base. We are finding that member companies are very concerned about how Ontario Hydro conducts its business. It needs to be thoroughly reviewed, and in detail. We believe there are excessive costs that are loaded into the rates, and Ontario Hydro needs to make a very careful examination of its own operation.

**Mr Conway:** How radical is AMPCO prepared to be to deal with the point just identified, that over the decades, for whatever good and bad reasons, the power-at-cost formula may have attracted to it all kinds of costs that are overblown and excessive and should be shaken away? Are you prepared to recommend to this committee that the Hydro we have known—that big, technocratic organization that is a public monopoly—should be recast in fundamental terms?

**Mr Dickinson:** "Recast in fundamental terms" is a serious change. As I mentioned, we certainly think Ontario Hydro needs to take a very careful look at how it conducts its business.

In the business sector in the last few years, companies have been put under enormous economic pressure, and they have reduced their costs by skimming away unnecessary fat. Our concern is that under the power-at-cost principle, Hydro does not have enough pressure on it to reduce its costs; it is very easy to pass those costs on. So while in the past it worked well, unless there is a real effort to examine the power-at-cost principle as it is now vested, we would have to look more carefully at what the alternatives might be. But to this point in time we do not believe that we have to compromise that principle. We believe there needs to be more careful examination of how Hydro conducts its business, however.

**Mr Jordan:** I am going to pass to Mr Arnott here for the moment.

**Mr Arnott:** One question, gentlemen. First, thank you very much for coming in. I am pleased you made reference to the 1992 update to the Ontario Hydro demand-supply plan. There are a number of projections and so forth that I find highly questionable and I wonder where the numbers are coming from, but one specifically I would like to isolate and ask you about: the section about non-utility generation.

Obviously the present chairman feels this will yield great quantities of electricity, and they are talking about providing 4,200 megawatts by the year 2014 through non-utility generation. Would you care to comment on that specific aspect?

**Mr Olvet:** I will take a crack at that. I am presently representing AMPCO on something called the Non-Utility Generation Advisory Committee, which hopes to provide advice to the chairman of Hydro and the minister, neither of whom needs or wants any more advice about how to conduct the business of non-utility generation. AMPCO is on that council at the request of the various council members, including the government, which chairs the council, and Ontario Hydro, with the agreement of the other parties. There is a variety of opinions about it.

The unifying principle which enables us to work together among these competing interests is the fact that we all need megawatts, and the question is how to provide them in a balanced way. In the original balance-of-power document, going back to—what?—1989, it was visualized that some 1,600 megawatts, I think, later upgraded to 2,100, would be required by the turn of the century. Now it is up to, I believe, 3,100 or some such, and then the over-4,000 number that you mention is in the year 2014, I think.

1020

There are a couple of key words, I believe, in exhibit—whatever the number is. I have not looked at the glossier brochure. Let's say something like "if necessary." What I believe is going on right now is that there is a desire by Hydro to meter out cogeneration projects and other non-utility projects at a pace that matches the supply and demand equation, whatever it may be. After Darlington, I guess, we are going to begin eating into our current position of being well supplied. There was a big rush to provide a lot of cogeneration in particular, and now I guess the time of saying, "When do we really need it?" is upon us.

AMPCO supports the activity as part of the balance of power. It is late. We are disturbed by the apparent lack of balance that is being introduced now, and that is part of our concern. We are shifting away from the balance that was created over five years of work by Lorne McConnell and his helpers, and well-thought-out, over 40 cases examined in the lowest-acid-emission lowest-cost case put forward, which is this plan 15 that is in front of this humongous process right now, the environmental assessment. Clearly, the update deviates from that balance, and we were concerned it is going to drive us into the ditch on supply perhaps, and certainly we are very concerned about cost, as Mr Dickinson has pointed out. So our overall concern is more with the total plan as opposed to single elements of it, and the unifying principle here this morning is really cost comparativeness.

**Mr Jordan:** Thank you, gentlemen, for your presentation. I am sorry I was not here for the complete presentation.

My question is related to this fuel-switching policy that is being planned for implementation; in fact, if this revised demand-supply plan is presented as it has been revised, then fuel switching is going to be implemented. Hopefully

as a result of these committee hearings the government will be listening and perhaps act accordingly. But an industry is billed on kWh and kVA, and you watch that very carefully relative to your power factor to determine the best level for the cost of power, is that correct?

**Mr Olvet:** Yes, our membership varies quite a lot, but in general I guess they are issues of efficiency and energy use, including the technical factors you mentioned. So on average I guess that applies.

**Mr Dadamo:** Thank you, gentlemen, for the message this morning. I think at one point during your brief you mentioned that hydro rates appear to be lower in some states. Could you hone in on one particular state and maybe make some sort of parallel for us and tell us how its rates could be lower than what we are giving out here?

**Mr Dickinson:** Washington state, North Dakota, Georgia. The Tennessee Valley Authority offers incredibly competitive rates and with lower incremental changes over five-year periods—guaranteed, that is. Even in New York, not Niagara-Mohawk, but the New York Power Authority, I believe it is, is offering very attractive rates.

**Mr Dadamo:** Is there some sort of formula they have that we do not have, the reason they could offer—

**Mr Dickinson:** No. Some are more successful than others, I guess. It may also be a function of what access they have to hydraulic power.

**Mr Dadamo:** I would like to add a comment on that particular issue. There was a time when Ontario had a fairly big lead in cost competitiveness vis-à-vis the jurisdictions Mr Dickinson mentioned. I think all of them, with minor exceptions, were behind us, so to speak. What has happened is, there has been a shift over time. I suspect that part of the reason there is a shift is that the Americans now very strongly understand, under competitive pressures, the importance of keeping and attracting industry. They have probably understood it a little more quickly than we have. We have had a very good period the last 10 years here.

**The Chair:** Mr Huget, a question. No lengthy preamble.

**Mr Huget:** The policy directives section, I think we have heard from many groups, gives people some anxiety. If an amendment is introduced to clarify that policy directive—in other words, we are not going to go out and buy an amusement park using Ontario Hydro. Would that satisfy you, or what?

**Mr Dickinson:** I think I would repeat the statement I made earlier that support for communities in economic distress, such as Elliot Lake, is inappropriate if it is funded through Ontario Hydro's rate base. I cannot understand how anyone can conceive that paying down a municipal debt has anything to do with supplying power at cost. The membership of AMPCO simply does not accept that that is reasonable. The definition of power at cost, or the interpretation of the mandate, is already in question, and we certainly do need reassurance that we will not see similar things happening, because that could become an open-ended means for government to fund activity that rightly should come out of general revenues.

**The Chair:** Thank you, gentlemen. I tell you on behalf of the whole committee that we appreciate your interest and participation today. This bill has attracted attention and generated, as you can well imagine, a very diverse set of views and opinions. This process is a particularly valuable one, and your input is important, so we thank you for taking the time to be here.

We trust that you will keep in touch with either your own MPP or the critic for the Liberal Party, Mr McGuinty, who is here, Mr Jordan for the Conservative Party, or the parliamentary assistant to the Minister of Energy, Mr Hugert, who is here with the government caucus. Thank you. Take care.

**Mr Dickinson:** Thank you.

1030

#### JOINT INDUSTRY TASK FORCE

**The Chair:** The next participant is the Joint Industry Task Force on electricity supply in Ontario. Two persons are making the submission: Russell Baranowski, who is the chair, and Peter McBride, a member. Gentlemen, please seat yourselves, and tell us which of you is Mr Baranowski and which is Mr McBride. You have 20 minutes. Please try to give us 10 minutes at the end for the dialogue and conversation that will undoubtedly ensue from your submission.

**Mr Baranowski:** I am Russ Baranowski, and that is Peter McBride.

**The Chair:** We have your written submission.

**Mr Baranowski:** As I mentioned, I am the chairman of the Joint Industry Task Force. I am also the president and chief executive officer of Federal Pioneer Ltd and president of Schneider Canada. Peter McBride is a member of the Joint Industry Task Force through his association, the Mining Association of Canada.

As chairman of the Joint Industry Task Force on electricity supply in Ontario, I appreciate the opportunity to speak to the members of the Legislature's standing committee on resources development about certain aspects of Bill 118, An Act to amend the Power Corporation Act.

By way of introduction, the JITF is a coalition of companies, industry associations and unions which was formed in 1980. Members of the JITF are involved in various aspects of electricity, from its production and transmission to the consumption of electricity to produce goods and services demanded by modern society. The factor unifying these diverse groups is a recognition of the need for Ontario to have a reliable and reasonably priced supply of electricity. Electricity has been a cornerstone in the development of Ontario's prosperity historically and it is necessary for the province's economic future. The JITF is supportive of demand management and energy conservation as methods of saving electricity. Many of the group's members are leaders in these areas.

I know, as you mentioned, that this committee is operating on a tight schedule and is busy assessing the overall intent and possible impact of the legislation which is under review. With that in mind, I do not wish to belabour these issues and I will try to be straightforward and brief in

keeping my remarks to three specific aspects of the legislation to fit into the format of these hearings.

The first concern involves the core issue, which is the mandate of Ontario Hydro to provide power at cost to customers across the province. Although there has been some modification demonstrated by the Minister of Energy, the proposed legislation still states that Ontario Hydro shall implement policy directives of the government. This is troubling, because it leaves the province's electrical utility open to the changing political whims of the day, which could impair Ontario Hydro's ability to operate in a business-like fashion.

A press release from the Ministry of Energy concerning Bill 118, which was distributed on October 2, 1991 states, "The minister said the government is determined to make Hydro truly accountable to the government for the first time in Ontario history." From the JITF perspective, through its mandate of providing power at cost Ontario Hydro has been and is largely accountable to its customers.

People on this committee have no doubt been reminded by many groups which have appeared before it about the financial assistance Ontario Hydro offered to Elliot Lake and Kapuskasing last year. While appreciating the circumstances of these communities, Ontario Hydro revenues from ratepayers should not be used to sponsor government initiatives of this nature. Hydro bills should pay for electricity; they should not be a form of hidden taxation to support other government programs.

Making Ontario Hydro operate through political directives would make it more difficult for the utility to carry out meaningful long-term planning. The job of providing electricity to power the economy of this province is an enormous task. Long lead times are required to develop new sources of supply and to have demand management programs show results. In dealing with the province's electricity grid, short-term solutions to problems are generally more expensive.

The second aspect of the bill I wish to speak about is the suggestion to exempt Ontario Hydro directors from responsibility for executing government directives. Who would be responsible to the ratepayers? This suggestion runs counter to a prudent rule of business practice that boards of directors of companies, crown corporations, charities or any other organizations are responsible for their decisions and actions and accountable to shareholders, ratepayers, clients, customers, suppliers and others. If Ontario Hydro directors are not going to be responsible for their decisions, they are not functioning as directors. At a time when legislation is strengthening the bonds of responsibility—and liability—of directors, a proposal of this nature appears totally inappropriate.

The third issue involves the desire to have Ontario Hydro pay for the cost of having its customers switch from electricity to another source of energy. If this or any government believes with scientific certainty that switching from electricity is beneficial, why tax electricity ratepayers to pay for this?

The Joint Industry Task Force does not believe the case has been proven that switching from electricity will result in improved energy efficiency. In fact, many of our members

are real-life examples of organizations which have significantly decreased their overall energy consumption through an increase in the utilization of electricity.

Administration difficulties aside, the fuel-switching proposal would result in the inequitable situation of having some Ontario Hydro customers subsidize others. It is somewhat irresponsible to encourage the large scale switching to another fuel such as natural gas without detailed examinations of the supply and distribution system of that fuel and its overall economics.

Without a reliable supply of electricity, Ontario's economy cannot expand. There will be no attraction for new investment. There will be a decreased likelihood of new jobs and less security of existing jobs. This province needs electricity to grow and meet the demands of its citizens. Bill 118, whether through proposed changes in Ontario Hydro's mandate to provide power at cost, through removing the responsibility of its directors, or through having the utility finance the switch to other fuels, does not improve the reliability of the future supply of electricity in this province.

The JITF appreciates the opportunity to present its concerns over Bill 118 to this committee. Thank you for your time and your attention.

**The Chair:** Thank you, gentlemen. Four minutes per caucus. Mr Jordan.

**Mr Jordan:** Thank you, gentlemen, for your excellent presentation. You certainly have pointed out very clearly that Bill 118 will remove the certainty of supply for the province of Ontario, and cast a big shadow over what we have known as power at cost. My question is, relative to the updated demand-supply plan as presented recently, after five years of study to produce the original plan, we are now working on a plan which incorporates Bill 118, even though we are still studying the bill. I would like to know how you feel about your concerns being taken seriously when the government is proceeding in this manner?

**Mr Baranowski:** With respect to Bill 118?

**Mr Jordan:** Yes.

**Mr Baranowski:** It is a tough question to answer, Mr Jordan. We are attempting, through being here today and through other ongoing initiatives of the JITF, to bring to the attention of the current government, the opposition in the Legislature, and through speaking with Ontario Hydro and other groups, to point out the fact that with respect to the recently revised plan last week, and even prior, our opinion was that the load-growth forecast was very conservative, and that Ontario Hydro will run out of power long before the turn of this century.

The conclusions that have been put forward by Ontario Hydro last week with regard to a date—I believe around 2009—as to when new power supply would be required are totally inaccurate, and we are going to do everything possible to point out the facts as we know them in order to influence the government, Ontario Hydro and other people who are involved in this process. I hope we are successful. It is up to the government whether it will respond and listen to what we have to say.

**Mr Jordan:** Thank you very much. You pointed out also that these decisions are being made without what you—and I might say myself—consider adequate study. For instance, twinning the present Trans-Canada pipeline: Do you know what stage that is at? Do the people know? Does the government realize what could happen here? That pipeline is relative to our 500 kV line coming across the country for electricity, and I can imagine the length of time it would take us to twin it. Are you people up to date on how they plan to do that?

**Mr Baranowski:** We are not up to date and we are not aware that that kind of detailed examination has been done and put forward in terms of cost in relationship to the alternative, which we believe is the development of additional generating capacity in Ontario.

**The Chair:** Mr Huget, and if you wish you can leave some time for Mr Waters.

1040

**Mr Huget:** Thank you, gentlemen, for your presentation. First of all, I have a comment on Mr Jordan's comment, in terms of the government listening. There will be amendments introduced that are clearly the result of dialogue and discussion with important groups in the power industry, not the least of which is the Municipal Electric Association. Those amendments I think will clear up some of the problems around the policy directive issue.

You mentioned a concern, that you have trouble with the sort of political aspect of Ontario Hydro, and you say this bill is going to make Hydro respond to the political whims of the government of the day. Are you suggesting that there has never been any political influence on Ontario Hydro in the past?

**Mr Baranowski:** Not at all. I think we are speaking about the process, and the recent decision to spend in excess of a half-billion dollars of funds by Ontario Hydro is a direct tax on users of electric power, and it is the process by which this happened that we are arguing with.

This was an initiative that did not come from the Ontario Hydro board and presented to the government for consideration. In fact, it happened just the other way. So it is the process that we are concerned about, and certainly, Ontario Hydro being a corporation of the Ontario government, has to be responsive to that government and the people in general. But the process is through a board that is independent and has a true role to play in examining the affairs of Ontario Hydro, and thereby making recommendations through the board for action.

**Mr Huget:** On the fuel-switching issue, you mentioned that you do not think that electric ratepayers should be involved in that. We have had groups come before the committee that have pointed to the potential of at least \$4 billion being spent needlessly for heat, whether it is space heating or hot water heating, that could have been saved by consumers if they had used an alternative fuel. What is your view on that? It is a \$4-billion extra charge people have paid by heating water and their accommodations with electricity.

**Mr Baranowski:** I think our point was that fuel switching, the alternative fuel sources, is always something

that should be considered. The concept of rewarding people for switching away from the use of electric power to some other fuel source causes a cost to be borne by electricity users, some of whom prefer electricity as a clean, reliable source of power.

In fact, in recent years some major industrial users, while decreasing their overall use of power, have increased their use of electricity, just because electricity as a fuel source is very attractive. Why these people should then be subjected to paying a tariff to induce others to switch to other fuel sources is the issue we are raising.

**Mr Waters:** I would like to go very quickly into the switching. I spent the last 16 years working in the wire and cable industry, and my employer has finished reheating the entire plant. For efficiency and cost, they put in gas once again.

To me, if we want to have Ontario Hydro working efficiently, would we not be encouraging people to switch, when people within the electrical industry are moving more and more to gas? All our annealing ovens and everything were very much moved to gas. So if the people within the industry that create the power lines are saying, "Switch to gas" by their very actions, do you not think that is the way the government and Hydro should be going for space heating?

**Mr Baranowski:** Yes, what I would say to that, Mr Waters, is that there are certain businesses and certain industries where the use of an alternative fuel such as gas makes sense on its own merit. But I submit there are other industries and companies in the province, such as Inco and Falconbridge, where that is not an alternative and electricity is the best form of energy for them to use. They will make that decision based on the fuel source and the economics and cost that go along with it, as other people will make the decision to use gas because it is economical and appropriate for them, so I think you have to differentiate within the sorts of application.

All we are saying is that you should not confuse this for industrial users by imposing tariffs or extra costs to induce other people to switch in an artificial manner, especially as has been mentioned by Mr Jordan. The full cost of putting a program together to switch on something like gas is known and I certainly do not know what it is except I have been led to believe that the cost of bringing more gas supply on is going to be substantial.

**Mr McGuinty:** Thank you, gentlemen. I think perhaps more than anything, what the discussions here around Bill 118 are doing for me is pointing out the importance of the challenge before us, and that is to ensure that the interests of ratepayers are properly protected.

On the one hand we have Hydro, and I will have no hesitation in saying that I do not believe Hydro has been properly looking out for those interests. I think that objectively speaking you could make a sound argument today to the effect that there are too many people on staff, too many of those people are overpaid and that its debt is too large. On the other hand, we now have this government weighing in and holding itself out as the protector of ratepayers. But we have a difficulty associated with any government

which is made up of politicians doing things for reasons that are sometimes political, and when a government attempts to look out for the interests of ratepayers it is sometimes putting itself in a position of conflict because those interests conflict with the interests of Ontarians at large.

So my question for you is, what do you think we can do in order to ensure that somehow the interests of ratepayers are going to be protected? It seems to me that to date Hydro has not done that and government has not done it.

**Mr Baranowski:** My response to that question, Mr McGuinty, would run along the lines that Ontario Hydro should have a strong, independent board. The government, in conjunction with the board or whatever the process is, should charge Ontario Hydro with very substantial cost reduction and productivity improvement programs.

Industry in Ontario these days and in recent years has been routinely looking for 20% and 30% cost reductions to remain competitive. Electric energy is a cost of doing business and to the extent that Ontario Hydro is an inefficient corporation, efforts should be directed towards making it efficient. I happen to agree. I think the JITF agrees that Hydro can be made more efficient, and I am not talking about demand management and conservation programs, I am talking about the operation of Ontario Hydro. So we would strongly encourage that Ontario Hydro be charged with very tough productivity objectives and cost reduction programs in the future.

**The Chair:** I should mention, Mr McGuinty, if you want to give Mr Conway time for a question, keep that in mind.

**Mr McGuinty:** There is much talk of late of privatization of the public utilities and there seems to be some kind of a trend in that direction. Certainly that has taken place in England of late and I understand in Nova Scotia now. I guess the advocates on behalf of privatization tell us that the strongest force we could possibly bring to bear is the force of the marketplace and that when we unleash that force on Ontario Hydro it will be the only force that will require that Ontario Hydro streamline its operations and act with the utmost efficiency, under whatever new form it might happen to take or exist.

Has your association considered this or what concerns would you have? I assume that the Globe and Mail is going to come out advocating that tomorrow too, but what concerns would that cause you?

**Mr Baranowski:** JITF has not focused greatly on freeing Ontario Hydro from government control. However, in a recent meeting we had with the present Minister of Energy, this subject surfaced, and our reaction in that meeting was that this is one viable alternative for the operation of Ontario Hydro. We have not really discussed it beyond a reaction in general to the fact that it would be a viable option for running Ontario Hydro.

**The Chair:** Mr Conway—short.

**Mr Conway:** Mr McGuinty anticipated my question. I think one of the most exciting and dramatic elements of this debate in which we are now engaged is that the privatization of Ontario Hydro has begun. When one looks

at the chairman's presentation to the demand-supply update last week, when one thinks about the increasing reliance on non-utility generation, thousands of megawatts that were not part of the calculation five years ago, it is a very dramatic and for many an exciting new departure.

My question is perhaps a little more specific. As we move along the road to privatizing all or a substantial part of what Ontario Hydro once did in this province, where initially would you see the best opportunities for productivity gains and efficiency gains within the multifaceted mandate of the Hydro we once knew?

**Mr Baranowski:** The initiative on non-utility generation I believe is a good one. The initiative for conservation and demand management is a good one. You referred to the presentation last week as being important, and it needs to be responsible as well. One aspect of what was presented was almost doubling reliance on demand management programs from demand management levels that were already extraordinarily high. Our reaction to that is that those numbers are incredible.

With regard to where we would direct the attention, I think it is a matter for Ontario Hydro to look within Ontario Hydro to carefully examine every aspect of its operation to cut costs. Speaking as an industrialist, my company and many others are now routinely seeking 30% cost reductions, and I think if this committee or other people in government are in contact with other important Ontario businesses, you will find large efforts and successful efforts to cut costs and increase productivity. It is unique to each business. Ontario Hydro is one of the biggest businesses of all and I believe the opportunities are very substantial.

**The Chair:** Gentlemen, the committee thanks you for your participation this morning. We trust you will keep in touch with members of the committee or other members of the Legislative Assembly. You, as well as others, are entitled to copies of not only today's transcript but the transcript of all the submissions and deliberations of the committee; get hold of your MPP or any MPP's office. Those are available to you and to anybody else who is interested, of course free of charge. We appreciate your coming; take care.

**Mr Baranowski:** Thank you.

**The Chair:** We are adjourned until 11:15, and there is a subcommittee meeting in room 230.

The committee recessed at 1054.

1120

LLOYD GREENSPOON

**The Chair:** It is 11:20. We are scheduled to resume. We have Mr Greenspoon here, who is the next participant, if you would please come have a seat. You have 20 minutes, sir. Please try to save at least the second 10 minutes for questions and dialogue.

**Mr Greenspoon:** My name is Lloyd Greenspoon. I am from Manitoulin Island and I practise law there. Actually I practise law now more in Toronto. I am counsel at the demand/supply plan hearings for a coalition called Northwatch. I am here in my own capacity, though, not representing Northwatch.

I have been very interested in electricity supply in Ontario for about 20 years. We live in Algoma-Manitoulin. We consider that we are kind of a nuclear sacrifice area of at least Ontario, if not the world. I flew down yesterday, norOntair, and the first leg of the flight goes from Gore Bay to Elliot Lake. I think when you fly over Elliot Lake, the first thing you see are all the tailings piles. There are about 200 million tons of tailings in Elliot Lake, and I think a lot of that, the uranium tailings, is as a result of electric heat. Electric heat was a big sell in northern Ontario in the 1950s. I can remember when I was growing up in Sudbury, that was the time of the Medallion home in the 1950s, when electric heat was going to be the thing of the future.

I heat my house with wood totally, and I am very concerned about the fuel switching and the applicability of fuel switching to wood. I believe northern Ontario is a society that learned a lot of its lifestyle from the native people, and of course native people heated with wood. I think wood is too valuable a resource to be wasted on paper, and that is basically what we do in northern Ontario now. We get very little money for wood in northern Ontario, and certainly with energy, especially electrical energy, being such a premium commodity, I think it is an obscenity to use electricity for heating.

I know there are a lot of people in northern Ontario who are using electric heat, but there are also a lot of people in northern Ontario who are not on the gas pipeline and they do not have the opportunity to fuel-switch to natural gas. For those who are on the pipeline, that is fine; I think the amendment is clear that they can take advantage of it.

I was looking at the Ontario Hydro Update 1992, and I am very concerned. I suppose everybody here can get a copy of this. It is the demand-supply plan update that was filed last Wednesday by Ontario Hydro. In the executive summary it says on point 4:

"As reflected in the primary load forecast, the expectations for demand management were increased by about 4,300 megawatts by the year 2014, reflecting expected Ontario government initiatives to mandate higher efficiency standards"—and then it goes on to say, and this is the important point—"and to allow Ontario Hydro to offer incentives for customers to switch from electricity to natural gas."

I am very concerned that Ontario Hydro is interpreting the amendments to this bill as meaning fuel switching from hydro to gas, and I do not think that is what the drafters intended. It worries me that Ontario Hydro is putting out a document that seems to assume that all fuel switching will be to natural gas.

I guess that is all I want to say. I sort of hesitate to say—well, it is not a big deal, but I think it is really important—that there are a lot of people who are very upset with this new direction for Ontario Hydro, and it would be my urging to this committee that this is only the beginning. Fuel switching is a good direction to go in, but I do not think you should consider that this should be the end of the amendments to the Power Corporation Act. It is a new era and the time of the megacorporation like Ontario Hydro

having the power it presently has is over and it is not appropriate any more. I think this is the first dent in the armour, as it were, of Ontario Hydro, and I think it is long overdue. I support the amendments and urge you to pass them.

**Mr Waters:** Partially as a point of clarification, I would like to talk about the fuel switching again. You were talking about wood and I want to get it straight. You referred to making paper out of wood and that was not efficient use of the wood product, but should we be using it for fuel? Should we be coming up with a good fuel out of the sawdust, out of the scrap from the wood industry? I would like to know your feelings about that.

**Mr Greenspoon:** I think there are two issues. I think the sawdust, dealing with that issue, is more valuable to generate electricity as a biomass. There is a lot of future in Ontario for biomass.

Any harvesting of wood, in my opinion, has to be a sustainable harvest. The attractiveness of burning wood for heat is that it is usually done by the owner, or even if a person is selling his wood, it is his bush he is cutting, and he is going to take care of that bush. He is not going to go in and clear-cut it like a pulp operation. That is the difference.

I know I have a 50-acre hardwood bush on my farm, and for every tree I take out, I have the Ministry of Natural Resources come in and mark the bush. Every time I take out a tree it opens up the canopy, and in five years I have more wood than I had before I took the wood out. The woodlot is a sustainable entity if it is done properly. The problem with a pulp and paper operation is that it is a cut and slash and burn operation. It is not sustainable.

**Mr Waters:** To have efficient wood heat, at least the way I grew up, you always used hardwood anyway, and in pulp they use a lot of the softwoods and that.

**Mr Greenspoon:** Fine paper is made with hardwood; you know, a good letterhead. Now, with recycled paper, that may be changing, but there are certain kinds of paper that need hardwood. E. B. Eddy in Espanola, for example, pays premiums for hardwood.

**Mr Waters:** You also said that this did not go far enough, or implied that it did not go far enough, that there should be future changes. In what direction would you say we should go from here? What should happen in the future? What should Hydro be looking at after it looks at the switching or while it is looking at switching?

**Mr Greenspoon:** This is very current, and with this update I do not know the answer. I think the next step is that we have to figure out how we are going to regulate Hydro. I know Hydro wants this. We cannot have these mega-environmental-assessment hearings any more. We have to have a more regular means of regulating Ontario Hydro with some give and take from the environmental community, the business community and Ontario Hydro; maybe sort of a joint Ontario Energy Board/Environmental Assessment Board.

**Mr McGuinty:** Thanks, Mr Greenspoon, for coming down and appearing. You made reference to the amendment to the demand-supply plan here. Is that correct?

**Mr Greenspoon:** I think it is an amendment. Ontario Hydro calls it an update.

**Mr McGuinty:** Yes, I have the same difficulty, but one of the things that concerned me was the fact that the chairman has made a very significant amendment to the original plan introduced in 1989, and some of that is premised—I think to the tune of 3,600 megawatts—on the assumption that this committee is going to approve the fuel substitution component of Bill 118. I was very disturbed to hear that, because as far as I am concerned it is not a fait accompli but still at issue and it is still something we are much concerned about.

One of the things I have yet to obtain is solid evidence to the effect that, economically, fuel substitution is a good thing, and I am wondering now—go along with me a little bit on this. Let us assume that at the end of the day when we have heard from everybody we are going to hear from, including Ontario Hydro and hopefully a third party who is impartial, we hear that it is not economical. That is, if we have someone living up north, for instance, who does not have access to natural gas and for whatever reason does not have access to an alternative fuel which is cheaper than electricity, yet those people are going to have—again I am going to make this assumption—their rates increase in order to subsidize people who have access to natural gas, what about the equity argument there, the issue of fairness? Should we go ahead notwithstanding and say, “Listen, for the good of the whole, so to speak, your rates are going to have to go up.” What are your comments on that?

1130

**Mr Greenspoon:** I go back to what I said before about electricity used for heating being an obscenity. Those are issues that can be addressed in other ways. You raise a good point. Maybe there is an exception for that person. The whole rate structure has to be looked at again, and it is very easy to address the rate problem of a person who cannot fuel switch. You give him a subsidy if he cannot fuel switch. You are right. Why should he subsidize those who can?

But that does not take away from the basic issue. We cannot heat with electricity. It is too valuable a fuel. It should be used to run high-efficiency lighting, high-efficiency motors to fuel our economy. Heating with it is not appropriate any more. Eventually we have to stop having toasters that are so inefficient as well. Resistance heating, resistance use of electricity is not appropriate.

**Mr McGuinty:** If we go ahead with a subsidy program, shall we subsidize everyone to the same extent? Should the millionaire and the pauper get the same subsidies?

**Mr Greenspoon:** That is a taxation question. I do not know. You are the politician, I defer to you. You are going to have to figure that out. I think taxation is the way to address that. Subsidize them all equally, because it is easier to do that structurally. Subsidize the electricity system, fuel switching. Address your issue through taxation of that person.

**Mr Arnott:** Mr Greenspoon, thank you for coming in. I would just like to ask you two questions. The first one is,

do you totally reject or oppose the concept of power at cost, which has been one of the key principles?

**Mr Greenspoon:** I do not know. I am not sure I believe the concept is very admirable. I am not sure I believe that is really what Ontario Hydro is doing.

**Mr Arnott:** It is not what they are doing with Bill 118, that is for sure.

**Mr Greenspoon:** I do not know about that. I am not sure I understand the connection of the issues.

**Mr Arnott:** In an effort to better regulate them and/or make sure demand does not get any higher than we have the capacity to produce, would you regulate artificially, raising the hydro rates to ensure we do not run out of electricity?

**Mr Greenspoon:** I do not know if it is the Power Corporation Act in British Columbia, but I think we have the wrong rate structure. The last block of electricity should be the most expensive block, which is exactly the opposite of what we have now. The last block of electricity should be the cost of new supply; about \$3,500 a kilowatt is what Darlington is going to cost.

**Mr Arnott:** You think rates should be raised to regulate demand?

**Mr Greenspoon:** In a very complicated way, yes, I do.

**Mr Arnott:** Thank you.

**Mr Jordan:** You mentioned, Mr Greenspoon, that you see this as a dent in the armour to control Ontario Hydro. What is it that makes you feel that the utility is not responding to the customer? I am not talking about the governments; I am talking about the user, the customer.

**Mr Greenspoon:** I just think they are too big. What is their debt now, \$30 billion? Their debt is often higher than the provincial debt. It is difficult to regulate such a large body. The changes in the board, the new chairman, the new directions from the Ministry of Energy—I am certainly not a promoter or a loud advocate of this present government, but I do see a new direction. I do not think it is enough, but I think this is a beginning.

**Mr Jordan:** Do you think we can acquire the necessary expertise in the Ministry of Energy to really and truly direct a corporation of that size and complexity?

**Mr Greenspoon:** No. I see a lot of merit in the people who say Ontario Hydro should be privatized. I do not know how you are going to do it, but I do not—

**Mr Jordan:** Your main fear is that the corporation is too big?

**Mr Greenspoon:** Yes, too big.

**The Chair:** Thank you, sir.

**Mr Greenspoon:** My pleasure.

**The Chair:** We appreciate your taking the time to come here from Manitoulin. The transcript of this present proceeding, the transcript of all the proceedings are available to you. Get hold of your MPP. She or he will send them to you, no charge. We thank you for your interest and we trust you will keep in touch with members of the committee and your own member.

**Mr Greenspoon:** Thanks for your time.

#### ONTARIO NATURAL GAS ASSOCIATION

**The Chair:** The final participant for the morning is the Ontario Natural Gas Association. Gentlemen, will you please come forward with enough chairs to accommodate all of you. Let us know who you are. We have your written submission, and I say that hoping people will presume it is not necessary to read all of it but rather to highlight it so that there is enough time for questions and dialogue. Please go ahead.

**Mr Pinnington:** Thank you, Mr Chairman. Good morning, gentlemen. My name is Paul Pinnington. I am the president of the Ontario Natural Gas Association. I want to thank you on behalf of the members of the association for the opportunity to appear before this committee as it considers the possible amendments to the Power Corporation Act. Joining me this morning are Norm Loberg, who is the vice-president of marketing of Consumers' Gas; Brent Bailey, the director of marketing and sales for Centra Gas, and Mr John Van Der Woerd, who is the manager of marketing for Union Gas.

In this presentation we will confine our remarks specifically to the issue of fuel substitution and the benefits that can be derived by electricity customers, Ontario Hydro and society as a whole.

The Ontario Natural Gas Association, or ONGA as it is commonly known, is an industry association comprising over 300 company and individual members. These members represent transmission and distribution companies, natural gas producers and marketers, equipment manufacturers and suppliers, professional organizations, contractors and individuals, all of whom serve Ontario's natural gas industry. ONGA is the voice of the gas industry in Ontario and represents the industry's collective views.

The natural gas industry plays an important role in Ontario's energy sector and in the provincial economy. ONGA's four major natural gas distribution and transmission members alone employ more than 7,000 people, make more than \$2.2 billion in purchases and pay corporate and municipal taxes totalling close to \$200 million annually.

In addition, the industry helps Canada and Ontario compete on a global scale by providing a secure supply of low-cost energy to this province's businesses and industries. Ontario depends on these corporate entities to maintain its high standard of living; industries such as pulp and paper, mining, petroleum refining and the manufacture of steel, cement, fertilizers and chemicals. In recent years, many of these industries have been able to lower their energy costs by using natural gas in combination with more efficient technologies.

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Natural gas also represents one of the most environmentally friendly means of meeting energy needs. It is the cleanest-burning fossil fuel, and when used in place of other more polluting energy sources serves to minimize some of the most serious environmental problems such as photochemical smog, acid rain and global warming; burning natural gas produces less carbon dioxide, sulphur oxides, nitrogen oxides and particulate matter. Because of these economic and environmental benefits, the natural gas

industry firmly believes that this abundant and versatile fuel can play an even more significant role in meeting Ontario's future energy needs.

In particular we will address the following areas: first, the concept of fuel substitution, its economic and environmental benefits and how it is consistent with the broader provincial energy goals of increased energy conservation and efficiency; second, the many initiatives being taken by the natural gas industry to encourage greater energy conservation and efficiency in Ontario, and third, the fact that the natural gas industry is well positioned to meet the increased demand for natural gas resulting from fuel substitution, and Bill 118 in particular.

In the 1970s the significance of the energy sector was underscored for the world as never before. Conflicts in the Middle East, followed by oil supply shortages and spiralling prices, caused many people to rethink their energy strategies. Most of us recognized that we had to take some of our eggs out of the oil basket, begin investigating different energy alternatives and get serious about energy conservation and efficiency.

During this period the federal government, with financial assistance from the natural-gas-producing provinces, initiated programs that stimulated the substitution of natural gas for oil in both existing and new markets. This early example of fuel substitution had important economic benefits for many of Ontario's businesses and private citizens.

Over the course of the 1980s, environmentalists began to demonstrate that our increasing demand for energy of all forms was taking its toll on the environment, as well as our pocketbooks. Once again, energy conservation and efficiency were cited as key means of reducing the negative environmental impact associated with production, transmission and the use of energy.

Today, many energy industries and governments have taken these lessons of recent history to heart and begun to entrench conservation and efficiency in both corporate and public policy.

The natural gas industry has long accepted the role in helping to achieve Ontario's energy goals. In fact, the association's charter includes the directive to "initiate and encourage the efficient use of natural gas, conservation, standardization, safety, protection of the environment and public awareness."

Certainly these objectives are also shared by the government of Ontario, which has recognized that balancing the demand and supply of various energy forms is central to achieving gains in conservation, efficiency and the environment. We believe one of the ways this government is trying to foster the wise use of energy is by pursuing a policy of fuel substitution. Fuel substitution is defined as supplying consumers' energy needs with alternative fuels where it is economic to convert.

In recent years governments, environmentalists and the energy industries have recognized that society would benefit if particular sources of energy were used to their best advantage. Let me give you a simple example to illustrate this thought.

A number of methods can be used to prepare a cup of coffee: an electric kettle, a kettle on an electric stove or a

kettle on a gas stove. The most efficient of these is the kettle on the gas stove, because to use natural gas is more than twice as efficient as electricity when production, transmission, distribution and end-use losses are all considered. The very nature of gas and the fact that energy is released from natural gas at the point of use, in this case the burner, makes it efficient.

Work done by the association in preparation for its forthcoming submission to the Environmental Assessment Board hearing on Ontario Hydro's demand-supply plan confirms that switching from electricity to natural gas for specific applications in the residential and commercial sectors could save Ontario Hydro approximately 3,500 megawatts of electricity annually by the end of this decade.

ONGA has developed this projection on what we call marketable potential for fuel substitution, which is the total amount of electricity used in applications where natural gas is both economic and practical to use. It is based on applications where natural gas is available and where the infrastructure exists to sell, deliver, install and service the necessary appliances at competitive market prices. The applications include space heating, water heating, cooking and clothes drying in the residential sector, and space and water heating, cooking, clothes drying and make-up air applications in the commercial sector. Some specifically identified uses in the industrial sector are also included.

Savings through fuel substitution are already being realized in public housing facilities across the province. Many public housing units subsidized by the government of Ontario use electric resistance heating. The natural gas utilities are working closely with the ministries of Housing and Energy to convert existing electric heaters in social housing facilities and to ensure that all new facilities use natural gas. The program offered by the natural gas utilities finances capital costs for conversion to gas using the energy cost savings resulting from these conversions.

Much of the recent work in the area of social housing stems from the Ontario government's 1990 ban on electric baseboard heating in all new units funded by the government. ONGA believes that the government, having recognized the economic and environmental benefits of this program, should consider extending it to apply to all publicly funded buildings, such as schools, colleges, hospitals and government facilities. Any policy statement should go beyond space heating to include other cost-effective applications, such as water heating, cooking, clothes drying, make-up air and cooling.

Ontario Hydro has already introduced a policy which specifies that electric heating should not be installed in any new homes where natural gas is available. This is an example of where Ontario Hydro is in effect already promoting fuel substitution as one means of supporting its wider efforts to achieve greater conservation and efficiency. When Ontario Hydro encourages the use of natural gas over the use of electricity for specific applications, it will save megawatts and at the same time decrease its overall load. By decreasing its electric load and lowering demand for electricity, Hydro can successfully defer the need for new, large and costly electric generating stations.

Such actions serve the best economic interests of both Ontario Hydro and electricity consumers, who are facing large rate hikes over the next few years to pay for existing facilities. It will also improve natural gas utility efficiency by increasing the utilization of existing and planned facilities. These facilities will benefit society in general through overall lower energy costs. In addition, fuel substitution will have the positive effect of providing much of the needed economic activity for Ontario manufacturers and the construction sector.

Producing and using natural gas is not without environmental impact. However, given the present situation and the unique qualities of natural gas that were mentioned earlier, it is widely recognized that natural gas can make a significant contribution to combating some of the most serious environmental problems.

Over the last two decades, the natural gas industry has played a leading role in promoting conservation and energy efficiency. High-efficiency gas furnaces were developed by the Canadian gas industry right here in Ontario. Efficiencies are in the mid-90% range and this product is now marketed throughout North America. To complement the high-efficiency furnace, the industry has also developed new and more efficient wall-vented water heaters.

Energy management in the food service industry and commercial kitchens is also a priority area for new equipment and technologies that increase productivity, quality and energy efficiency. ONGA and the Ministry of Energy have a long history of jointly sponsored technology transfer seminars designed in particular for large energy consumers in the industrial and commercial sectors.

Research, development and demonstration of energy-efficient gas technologies is another way in which the natural gas industry helps society meet its energy and environmental goals.

The industry is also involved in setting new efficiency standards for appliances, promoting natural gas vehicle transportation technology, providing capital assistance for electric-to-gas conversions and educating residential consumers on the importance of conservation and efficiency techniques.

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ONGA's members clearly support fuel substitution and an expanded role for natural gas in Ontario. We look forward to working with all interested parties in charting the best course for Ontario's energy future. Economics rather than legislation should drive the decision-making process, with government providing leadership in the form of policies that promote and facilitate the wise use of energy.

In concluding, we want to assure members of this committee that the association's members are well prepared to accommodate an increased role for natural gas in the Ontario economy. There is an abundant and secure supply of natural gas in Canada, it is competitively priced and there is an excellent delivery system in place to provide increased volumes of gas to Ontario markets. We are committed to working together with governments, with Ontario Hydro, with our customers, with environmentalists and with all other interested parties to achieve the desired objectives.

We are prepared to respond to any questions you may have.

**The Chair:** Thank you, sir. We have two minutes per caucus. You may either make a comment or ask a question, but it will be done within two minutes.

**Mr Conway:** A friend likes to say that it is a remarkable thing to see grown men drool. Not that you are drooling, but if I were the natural gas association, this bill and the policy that informs it would have me drooling 24 hours a day. I could not anticipate such opportunity as this policy presents, and I think your brief makes a variety of very significant and telling points. One of your colleagues presented before us last week in Timmins and I thought made some of the same points with equal compulsion.

I want to turn to page 10, where you say, "Economics rather than legislation should drive the decision-making process." I cannot disagree with that. It seems to me that if we have a policy now to drive Hydro rates up, apparently by as much as 40% or 45% over three years, that alone, without any other encouragement, in the marketplace you do business in should have all or most of the apples fall in your basket.

Over the last 10 or 15 years, I think retrospectively we have been quite wrong in predicting the pricing regimes for electricity. We have been spectacularly wrong in predicting the pricing regimes for petroleum. I laugh and think about what we did 10 and 12 years ago. It is a belly laugh because we were so bad.

If we are successful, as this government's policy seems to suggest, in a massive move away from electricity to natural gas, which is what I think it is going to be, what guarantee can you people give me that marketplace forces are not going to take over and that in fact the price of natural gas, in light of these spectacular new opportunities in Ontario and I suspect across much of continental North America, will not drive the price of natural gas to a level, when we look back to 1991 and remember the good old days when natural gas, for all of these good and wonderful purposes, was so cheaply priced and so readily available?

**Mr Pinnington:** Two words I would rise to are "spectacular" and "massive" that you choose to describe the future for the Ontario natural gas industry and the growth of the market. Certainly it is substantial, but I think gas will serve a balanced portion of the marketplace.

In terms of price projections, we are in the process of providing that information to the Environmental Assessment Board hearing on Ontario Hydro. We do not anticipate spiralling prices for natural gas. Natural gas is in abundant supply in North America and it is readily available to the marketplace. It is true that right now our customers enjoy a quite significant benefit in terms of natural gas pricing in the market today.

**Mr Conway:** So the producers—

**The Chair:** Mr Arnott, please.

**Mr Arnott:** Mr Pinnington, I will give you a brief question and ask you to be brief as well in response. One of my colleagues, Mr Jordan, has a question. In your view as a businessman, what is your assessment of the government's involvement with Elliot Lake?

**Mr Pinnington:** I am sorry—

**Mr Arnott:** If Ontario Hydro—

**Mr Pinnington:** Yes, I understand the question, but we are not prepared to respond to that particular item. I do not have the detail of that particular item.

**Mr Arnott:** You just want to confine your remarks to the fuel-switching principle.

**Mr Pinnington:** Yes. We have addressed ourselves to the issue of substitution. I think the Elliot Lake question is really quite outside the realm of that area of activity. I am sorry.

**Mr Arnott:** Thank you.

**Mr Jordan:** You mentioned that 3,500 megawatts would be saved. That is 3,500 megawatts not sold. People are talking about the megawatts saved, but no one is mentioning the kilowatt-hours that will not be sold; therefore the revenue will not be coming into the utility. Many utilities have made presentations to us telling us they have the infrastructure in place, based on the present mandate of Ontario Hydro. Now it is there to pay for and at the same time, with the stroke of a pen, we are going to take away the opportunity to have them get the revenue to pay for it. How would you feel about that if we were doing it to your company?

**Mr Pinnington:** I think you have to look at the overall matrix of all the information that is provided.

**Mr Jordan:** I am speaking of revenue coming in.

**Mr Pinnington:** But you are talking about production capacity. The question you put to me was, if that production capacity is in place and you take 3,500 megawatts off, who is going to pay for the capacity? But the whole logic, the whole process Hydro is putting forward is a decline in its ability to meet demand with existing plant and its need for additional capacity.

I do not see it as redundant. I do not believe there is redundant capacity. In their latest projections they are suggesting there could be some redundant capacity by the year 2000, depending on the economic growth characteristics in Ontario between now and then. I do not see it as redundant capacity.

**Mr Waters:** Mr Conway asked part of it and I am glad to hear the answer that gas is not going to cost us all four or five times what it does today and we are not going to run out the day after we all switch. But seeing as how he has asked that, between pages 9 and 10 you say you are

involved with providing capital assistance for electric-to-gas conversions. Could you elaborate on that?

**Mr Loberg:** Yes. I can speak for Consumers' Gas; Mr van der Woerd may wish to remark with respect to Union. We provide financial assistance in the form of a rental-leasing program for furnaces and water heaters. If someone wants to switch off electricity, we will provide that particular piece of hardware on a rental or a lease program so there is no first cost to the customer; he would be paying for the use of that appliance on a monthly basis over the life of the product.

**Mr Waters:** Do you see that it is, I guess, unheard of for Hydro to offer people assistance to go either on to gas or away from hydro? Should they or should they not be in that part of the industry?

**Mr Loberg:** I think what we look at is that Ontario Hydro is dealing with a mammoth problem and it needs every option available to manage its way out of that problem. Fuel substitution is one of the elements that will allow them to do this. There is conservation, there is load shedding, there are other, what we would call in our energy nomenclature, demand-side management techniques. There are some very sophisticated economic analytical techniques available that will allow you to determine whether these options are in the economic best interests of not only the corporation, or in this case Ontario Hydro, but also the ratepayers, both electric and gas in this case, and society at large.

It is clear in our view that we are saying: "Okay, if Ontario Hydro has the option for fuel switching, then it can make decisions based on the real, universal economics. That way they will be able to build a plan accordingly." I do not think we are suggesting for a moment we are the universal panacea, but we can provide a very significant impact and assist Ontario Hydro in meeting its long-term supply-demand requirements.

**The Chair:** Thank you, sir. I want to thank on behalf of the whole committee the Ontario Natural Gas Association and each of you for taking time to come here and speak with us. Your submission is a part of the record; it has been made an exhibit. The exchanges that took place after your submission, I am confident, will be valuable to the committee members.

We are recessed until 1:50 pm, and subject to anybody raising an objection now, I anticipate commencing with the presentations whether or not caucuses are represented.

The committee recessed at 1201.

## AFTERNOON SITTING

The committee resumed at 1350.

**The Chair:** It is now 1:50 pm. Mr Huget and Mr Wood are here, Mr Arnott is here, Mr Cleary is here. We indicated that we were going to commence at 1:50 and we will, because people are waiting to make their submissions at the scheduled times.

PORT GRANBY/NEWCASTLE  
ENVIRONMENT COMMITTEE

**The Chair:** The first participant this afternoon is the Port Granby/Newcastle Environment Committee. Janet Mayer is here to speak on their behalf. Ms Mayer, please come up and have a seat. We have 20 minutes. One of the problems is that we really have to try to stay on schedule or else all those people who want to participate will not be able to. Your written material has been distributed. It is part of the record as an exhibit. Please try to highlight the material here, because the most valuable part of these proceedings is inevitably the dialogue that takes place between committee members and yourself or other presenters.

**Ms Mayer:** Thank you. Again, I am Janet Mayer. I am filling in for John Veldhuis, who is the chairperson and spokesperson for our committee. He is a teacher and unfortunately this week there are examinations at all the schools, so he is unable to be here.

I have included a pamphlet for you with our presentation. It will give you an idea of how and why the Port Granby group formed, but just to give you a quick brief, we initially formed to address a low-level radioactive waste problem in the town of Newcastle. Business is a bit slow right now, even though John Veldhuis went on a hunger strike this summer, so we are kind of branching out a bit.

First of all, as we understand it, Bill 118, An Act to amend the Power Corporation Act, will essentially do two things: First, it will authorize the Minister of Energy to issue policy directives to Ontario Hydro; second, it will make it clear that Ontario Hydro's use of corporate funds and its energy conservation programs will not be restricted to means of conservation involving the use of electricity.

This is important to the Port Granby/Newcastle Environment Committee, as we are very concerned about the environmental destruction caused by the need to fulfil Ontario's electrical power requirements. We want to stress to you the importance of demand management and the need to pass the amendments to the Power Corporation Act.

In the town of Newcastle, which is an area dealing with ongoing socioeconomic problems regarding nuclear power and nuclear waste, we are acutely aware of the power we use because we know what it means to be a community hosting a megaproject such as the Darlington Nuclear Generating Station and its tritium removal facility. While it is true that these projects have provided jobs for the community, the bulk of these jobs are not long-term.

There are a number of sociological impacts related to megaprojects that affect our community and that need to

be considered; for instance, cost versus risk factors. In Newcastle we take the risk in the case of accidents or accidental releases, while others share in the power. There is a psychological stress regarding whether living in the shadow of a nuclear reactor is hazardous to health, and the Atomic Energy Control Board of Canada continues to study the impact of radioactive pollution on workers' health and community health.

There is a serious concern regarding the Port Granby low-level radioactive wastes in Lake Ontario, which is a source of drinking water for millions of people. Municipal tax dollars were needed to address the nuclear waste issue in the town of Newcastle, and there has been an emotional and financial impact. At present, low-level radioactive wastes are a federal issue. I wanted to mention the waste issue to point out that we feel some issues relating to the production of power do and should overlap different levels of government.

I wanted to point out that producing power is more than just turning on a light switch. For 40 years we have been gambling on a solution to radioactive waste. We do not have it yet, and the costs are escalating. We are beginning to study and realize the health implications. While I do not mind gambling for myself a certain amount, I will not gamble with my children. We have no right to.

We need diversity in providing electrical power. We need less expensive alternatives. Fuel switching will give us this. We should not have all our eggs in one basket. A certain amount of competition is healthy. It keeps costs to ratepayers down, it provides stimulation for improvements in technology and efficiency, and it provides jobs. All of this, of course, requires a transition, but as you have seen from the number of environment groups which have listed to make presentations to your committee, you have a lot of willing participants for this transition. This is a good window of opportunity to meet the challenge of this transition.

Bill 118: How can we achieve this transition? We agree that the content of energy conservation programs must be broadened and not restricted to means of conservation involving the use of electrical energy. From an environmental standpoint, the most important change to the act is to subsection 56a(3), which will allow Ontario Hydro to encourage consumers to switch from electrical heating to other alternatives. This was received as good news by the Port Granby/Newcastle Environment Committee.

There are two main reasons to support fuel switching: environment and economics. In Ontario, one fifth of the homes are electrically heated. I have attached a graph at the end to show you that approximately one half is space heating and water heating. As you can see, space and water heating take up more than one half of the electrical use in homes. Electric heat uses enormous amounts of power. Ontario Hydro uses nuclear stations for base load power and fossil-fuelled stations for daily and seasonal peaking requirements. Electric heating is environmentally destructive. Almost all the electricity used for space and water

heating originates with inefficient and polluting coal-fired generating stations which kick in to cover the peak load time.

A look at appendices 2 and 3 will give you comparisons of the polluting emissions for fossil-fuel-produced electric heat, natural gas and light oil. I think they are fairly self-explanatory, so I will not take the time to go into them. Some 20% of Ontario's electrical generation is produced by fossil fuel, which is shown in appendix 4. The results are rising rates and the extra emissions that cause acid rain and global warming. By comparison, switching from electricity to natural gas would reduce carbon dioxide emissions threefold and largely eliminate sulphur dioxide. Other options that are just as feasible are wood, propane and oil, which can be used effectively where natural gas is not available.

Costwise, electric heating is more expensive than any other form of heating. Statistics show, for example—and I have another appendix, 5—that natural gas is 60% to 65% cheaper and oil is about 40% cheaper. Fuel switching also means that Ontario Hydro would not have to build another nuclear station—quite a savings considering that a station could cost as much as \$20 billion. Poor performance of nuclear power stations like Darlington in the town of Newcastle has been a major factor in rate increases, and we are just beginning to realize the real cost in attempting to dispose of nuclear waste.

If properly implemented, fuel switching has the potential to completely eliminate the need for new nuclear stations and other mega-electricity supply options in Ontario. One cannot help but recognize that fuel switching would effectively manage the demand.

While working on this report, one of the difficulties encountered was understanding how we could present a case to justify asking the taxpayer—I guess I should say the ratepayer—to pay for fuel switching. We found the answer in Hydro's DSP documents and in a remark made by former Ontario Hydro president and CEO Robert Franklin, who said: "If a builder installs 15 kilowatts of electric heat in a house in Ontario, Hydro has to spend over \$50,000 to build the capacity to keep that house warm. This is not a cheap heating system."

1400

To date, it has been profitable for developers and contractors to build homes with electric baseboard heating, since no furnace or ductwork is required. We need clear legislation as well as education and incentives to reverse this trend. Essentially, all ratepayers pick up the tab for this inappropriate use of electricity by part of the population, and sooner or later we will have to deal with the environmental impact of our behaviour. In the town of Newcastle, we are dealing with that impact. No one can predict the impact of global warming on our society and the planet as a whole.

Dollars saved on electricity would be used elsewhere and thus stimulate the economy. Improving the efficient use of energy represents an economic opportunity. Much of the effort to increase energy efficiency is labour-intensive and so will create new jobs. Fuel switching therefore makes sound economic sense. The answer is clear. How

can we afford not to support fuel switching when Ontario Hydro can actually save dollars by retrofitting homes?

We submit that fuel-saving amendments would also provide benefits to rural customers who do not have access to natural gas. Fuel switching and energy conservation programs can lower the rates of all customers if Ontario Hydro has the freedom to choose the most cost-effective options.

A number of our Port Granby members are rural residents, and a fair portion of the town of Newcastle are rural residents as well. They probably will not have access to other options such as natural gas. For any of you who are really interested in seeing alternatives in action, I invite you to accompany me on a tour. Just give me a call and I will arrange it. We can show you R-2000 homes in Newcastle that are functioning really well, solar-and-propane combination homes, and houses that are heated strictly with wood. While environmentally conscious, most of the people living in these homes were also largely motivated by the sheer economics of heating their homes.

Rural homes pay higher rates for electricity and are subsidized. Statistical information would suggest that fuel switching will affect the Newcastle municipal electrical utilities minimally from a financial standpoint. It is understandable that the municipal electrical utilities would be concerned that their income would decrease; however, it is our view that the effect would be minimal.

I have attached appendix 6, which compares the impact of declining electrical use on municipal rates to the effect of Ontario Hydro's recent 11.8% rate increases. Note that for this analysis it was assumed that all the municipal utility costs were fixed and that there would not be any savings gained in local distribution costs.

For the town of Newcastle, the local sales would need to decline by 44.7% before the impact on the average cost per kilowatt would equal the impact of this year's increase in the wholesale cost of power from Ontario Hydro. In the worst-case scenario, the average resident may end up paying more per kilowatt, but this would even out because we would be buying less if Hydro retrofitted homes. We would need fewer kilowatts to obtain the same heat, so it would even out.

The primary goal of the municipal electrical utilities should be to meet our energy needs at the least social and environmental cost. Perhaps they could enter into provision of fuel-switching services and generate dollars in doing so.

Passing this bill would allow drastic reduction in the socioeconomic and environmental cost of electrical space and water heating. Policy direction should include fuel switching and cogeneration for the industrial and commercial sectors and also include water heating and appliance conversions. This would increase the benefits even more dramatically. We need to consider also combining fuel switching with home insulation programs. The two combined could feasibly produce a more than 90% reduction in kilowatt-hours per year. I have attached another appendix which shows some of the thermal envelope improvements that would make that so.

The efficiency factors of different types of furnaces or heating units is also an important factor to consider. The amendments contained in Bill 118 regarding policy are in the interests of public accountability. A certain amount of competition is healthy. Without it, costs are passed to the ratepayers, who have little say, and in the case of nuclear power and other megaprojects, on to future generations, who have absolutely no say.

The amendments contained would serve to clarify the lines of communication between government and Ontario Hydro. They serve to strengthen the government's and therefore the people's right to guide Ontario Hydro through a more democratic process. Of behalf of the Port Granby/Newcastle Environment Committee, I ask you to recommend the passage of Bill 118 and I thank you for the opportunity of presenting our views.

**The Chair:** Thank you, Ms Mayer. We have 90 seconds for each caucus. Mr Arnott.

**Mr Arnott:** I understand from your presentation that you live in the town of Newcastle.

**Ms Mayer:** Yes, I do.

**Mr Arnott:** That is closest to the Darlington facility?

**Ms Mayer:** Yes, it is.

**Mr Arnott:** I wonder if you have ever taken a guided tour through the facility.

**Ms Mayer:** Yes, I have, and Pickering as well.

**Mr Arnott:** Okay. Second, the security of supply of electricity is an issue that has been raised by a number of witnesses. We are hearing that Ontario's industry absolutely requires a secure supply of electricity; many thousands of jobs depend on it. In new investment decisions that are being considered at any given time, one of the considerations is security of supply of energy, and electricity specifically. Do you have any comments with respect to that?

**Ms Mayer:** I acknowledge that, but I also think that where we can save, we must save. I think fuel switching would accomplish that. I do not think there is one answer that is going to solve the problem across the board. We have to diversify and combine the benefits of whatever is available.

**Mr Arnott:** Okay, thank you.

**Mr Hugert:** Thank you for your presentation. The demand management initiatives and indeed the fuel switching I think are there to address a way of coming to grips with building these megaprojects. Some of them are controversial, in the case of nuclear generating stations.

You mentioned in your presentation that municipal tax dollars had to be spent to address the nuclear waste issue. You go on to say there is an emotional and financial impact. Could you elaborate on that?

**Ms Mayer:** I live in a community called Haydon. There are about 35 houses there and we are about nine miles north of Bowmanville. It is very close to a small village called Tyrone. When it was announced that the low-level nuclear waste from Port Granby needed to be moved back from the lake for health reasons because it was gradually going into the lake and would affect the

drinking water of millions of people, they announced that it was going to be moving to Tyrone, which is less than a mile from my home. We formed a community group to address it, to get more information and to try to stop it, because we were all worried. At the time, we did not understand much about it. It was hard slogging to understand the issues involved, but essentially there were a number of small villages around that formed the Port Granby group, and we did address the situation.

The waste will not be moved to Tyrone. It was agreed that they should not use prime agricultural land and that it should be moved back farther from the lake and that the technologies to make it safe needed to be reviewed in depth. At this stage the siting task force on low-level radioactive waste has been set up by the federal government to review and find a solution to the problem.

I realize that although I did not want it in my backyard, we do have to find a solution to the problem. There is not going to be an answer to satisfy everybody, but the best has to be done.

When this came up we obtained support from the town of Newcastle. Our council and in fact the region also gave support, and tax dollars were used in order to make presentations and to address the problem and find solutions.

1410

**Mr Cleary:** I know you spoke about many types of heating. You saw in today's Toronto Sun that the minister said he generally supports a proposal for Ontario Hydro to pay an estimated \$2 billion to put gas or oil furnaces in electrically heated homes. I would just like your comments on that.

**Ms Mayer:** I have not read the article, so I do not like to comment until I—

**Mr Cleary:** But you had said earlier that you would like to see that expanded to other types of energy too.

**Ms Mayer:** Yes. For example, natural gas water heaters, a combination of solar and natural gas, would increase the savings. I think there is a great opportunity for solar to play a part where it is possible to do so. There are areas where natural gas is not available. For example, where I live, I do not have access to it, so we have to diversify and include whatever other alternatives we can. I am not answering your question.

**Mr Cleary:** In a roundabout way.

**The Chair:** Ms Mayer, with that, it is my job, and I do it with pleasure, to thank you and the Port Granby/Newcastle Environment Committee for taking time to come here to Toronto, for putting your views together as articulately as the committee has in its submission and for your candid responses to the questions put to you.

A transcript of today's proceedings and of course of all the proceedings of this committee are available to you through your MPP's office, as they are to anybody else who is interested in obtaining them. Please keep in touch with your own MPP and with members of this committee, be it opposition or government members, and take care.

**Ms Mayer:** Thank you. If anyone has any further questions, I would be glad to answer them on the phone or in writing.

#### ORGANIZATION OF CANDU INDUSTRIES

**The Chair:** Thank you. The next participant is the Organization of Candu Industries. Could the persons please seat themselves, tell us who they are and then proceed with their submission. We have their written material, which will become an exhibit and part of the record, and if they would please ensure that there is time left for the dialogue which would follow this submission, which is obviously of great interest to the committee, we would appreciate it.

**Mr Broughton:** No problem. Thank you very much for giving us time this afternoon.

My name is Wayne Broughton, vice-chairman of the Organization of Candu Industries. With me is Martyn Wash, one of the directors at the Organization of Candu Industries.

The OCI was formed in 1979, and we now comprise 40-some manufacturing operations in Canada, to a large extent in Ontario, companies which provide equipment and services of a very high-technology nature, as opposed to goods and raw materials.

We were formed primarily to go after export markets. In very recent years we have decided that in order to protect our export markets we have to get involved in the domestic electricity supply scene, and that is really why we are here today.

I made the presentation, as you have noticed, double-columned so you can write notes in it and ask questions later.

I want to start with, first, just a brief overview of electricity and the economy to try to set the stage for why we feel Ontario Hydro is so important to the economy of this province and our own personal wellbeing, and I mean that personally, not from a company point of view.

Secure, reliable and economic supply of electricity has always been a cornerstone in the development of Ontario, and as we all know, Ontario is the industrial engine which drives the Canadian economy. Continued availability is particularly important to the large export segment of our economy. An interesting statistic is that Ontario exports more goods and services per capita than any country in the world, and this provides employment for many Ontarians and income for the province.

The standard of living and the social programs we all demand require a strong economy.

Electricity is an essential component in industrial growth and job creation, forming as much as 80% of the total cost of production in some industries, such as steel. In other industries, particularly automotive, electricity forms a smaller portion of the total cost, but reliability of supply is crucial to maintain efficient manufacturing operations.

The competitiveness of our economy here in Ontario is directly related to the cost of electricity. Reliable, low-cost electricity creates employment in both domestic and export industries. Conversely, expensive electricity results in lost job opportunities.

We share the opinion of about 83% of the population of Ontario, as reported in the 1989 Goldfarb report which Energy Probe released to the public, that continued availability of electrical energy is very important for economic growth. As many have recognized in recent years, a coherent, long-term energy policy is essential to confidence in the continued prosperity of Ontario.

I want to look at some of the characteristics of a good utility. What makes a good utility? Obviously, a good utility will focus on what it does best, generation and distribution of electricity at the lowest possible cost to its shareholders, and this has been the mandate of Ontario Hydro since its beginning. I personally think it did a marvellous job until probably 20 years ago.

Because of the complex and long-term nature of its business, a utility must be operated by professionals if it hopes to be classed as good, and a stable management process is essential to attracting and maintaining the best personnel.

In the eyes of a utility, its five-year plan is the short-term one. Any major disruptions in the short-term plans result in unnecessary costs to the consumers. A classic example of this is the tremendous excess cost of the Darlington station attributable solely to governmental interference—about 30% of the total cost of Darlington.

A good utility will be responsive to the needs of its customers, and the board of directors will be legally responsible for acting in the best interests of its shareholders, just as other boards of directors are required to be.

Next is a little bit about the Power Corporation Act itself. In their zeal to ensure Ontario Hydro is truly accountable to the legislature and the people of Ontario, previous governments have enacted the Power Corporation Act in such a manner that political interference in the affairs of Ontario Hydro has been far too easy. Examples of this interference, to the detriment of the consumers, which are all of us, include one we talked about already, the scheduling and rescheduling of the Darlington station. That was directed from Queen's Park—a massive, unnecessary cost to the ratepayers in Ontario.

Previous governments did not allow adequate funding for maintenance at Ontario Hydro's operating nuclear power plants. We are now paying a terrible price for this in terms of lower availability than those units are capable of and would have met had they been properly maintained.

The recent \$65-million donation to the northern Ontario heritage fund by Ontario Hydro bears no relationship to the mandate of providing electricity at the lowest cost.

The current moratorium on new nuclear power effectively prevents Ontario Hydro from considering its lowest-cost supply option for major base load. This was a completely political move and is not in the best interests of the consumer.

On instructions from the government, Ontario Hydro recently distributed two energy-efficient lightbulbs to each household in the province. If the full potential savings actually accrue, that is, every 52-watt bulb replaced a 60-watt bulb, the cost per kilowatt-hour—the savings—is about three times that of the cost of electricity produced at

Darlington. This type of approach is really not appropriate for a utility.

The subsidy to be paid by Ontario Hydro to Deep River so it can convert to natural gas increases the cost of electricity to the remaining consumers.

Participation by Ontario Hydro in the Elliot Lake economic development program raises the cost of electricity to all of us.

There was a directive from Queen's Park to Ontario Hydro which demanded that \$240 million be redirected from preparatory work on a nuclear plant to energy management. The Ontario Energy Board report HR 20 of August 26 last year states in reference to this redirection: "The board finds that the additional expenditures will not likely result in cost-effective energy management savings but only in additional costs and lost revenue in the short term. In the board's view, this is not short-term pain for long-term gain; rather, this is short-term pain for little or no gain." This is a classic example of a policy directive for political advantage, increasing the cost of electricity with no benefit to the consumers.

Addressing Bill 118 directly, we feel very strongly that it contains several provisions that, if they were implemented, would make Ontario Hydro ineffective in comparison to many other major utilities, and we do have some fairly good ones south of the border that we can compare ourselves to.

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With reference to section 1, under the existing act, the Ontario Hydro board of directors appoints the CEO of the corporation from among the board members. In this manner the board selects a chief executive officer in whom it has confidence. The bill proposes that the CEO be the chairperson, a political appointee, and not necessarily fit to be CEO of such a large corporation.

I want to go on record as saying it is not anything aimed directly at Mr Eliesen. That is just a generic comment.

At its best, this creates a confrontational situation between the Ontario Hydro board and Queen's Park.

Section 2 of the bill allows the government of the day to take control of the day-to-day operations of Ontario Hydro. The bill contains no provisions to ensure that policy directives are in accordance with the mandate of Ontario Hydro, thus allowing the government to completely change the mandate without the need for parliamentary debate. This is very dangerous as it allows easy manipulation of Ontario Hydro by the government in power, and there are no checks to ensure that directives are not merely for political gain. The result would be a utility which cannot plan ahead, and this would result in poor service to electricity consumers. This would also make it very difficult to attract qualified people to serve at the upper levels of Ontario Hydro.

Directors of any corporation in Canada are held legally responsible to the shareholders to act in the best interests of the shareholders. This bill proposes to eliminate that responsibility. The effect would be to facilitate the implementation of policy directives which are solely for the political benefit of the party forming the government.

In section 4, the bill proposes to eliminate the requirement for Ontario Hydro to only undertake energy conservation activities which are economically viable. This would facilitate abuse of the act for political gain, again certainly not in the best interests of the consumers.

Section 6 of the bill specifies that all policy directives shall become the "purposes and business" of Ontario Hydro. This provides the political party in power the ability to completely change the direction and focus of Ontario Hydro without consultation or debate, and would facilitate the use of Ontario Hydro for political gain, again to the detriment of the shareholders.

The provisions of section 7 would allow the government in power to instruct Ontario Hydro to carry out social programs or other activities not related to the generation and distribution of electricity, with the costs to be borne by electricity consumers. The negative effects of higher electricity rates we talked about earlier in relation to employment and jobs, and are certainly not in the best interests of the shareholders of Ontario Hydro.

Because Bill 118 is so fatally flawed, we recommend strongly that it just be completely discarded. Start over again. We endorse the idea of an amendment to the Power Corporation Act. However, it should result in a more stable environment for Ontario Hydro, not the reverse. There is an irreconcilable dichotomy between the short-term viewpoint of politicians—and that is a fault in our system; it is not the politicians' fault—and the long-term planning required for successful operation of a utility. The act should bridge this dichotomy with minimal disruption for both sides and also ensure accountability of Ontario Hydro to the people of Ontario.

How did I do?

**The Chair:** You did real good. We have two minutes per caucus.

**Mr Huget:** Thank you for your presentation. I will just address two quick points.

In your presentation, you say the moratorium on nuclear power was not in the best interests of the consumer. Could you explain to me why, then, people who have come before this committee as consumers have thought it is in their best interests in terms of a number of issues, not the least of which is cost, but around the environmental issues as well?

**Mr Broughton:** The cost issue I will leave as total misinformation. I believe Darlington is the most expensive nuclear station for Ontario Hydro in terms of the cost of the electricity, yet it is still far less costly than any other major supply option available to us. Even with the cost overruns, the meddling from Queen's Park, it is still far more economical.

The environmental is a different kettle of fish. We have a lot of misinformation. We have most people, probably including a lot of professionals, who really do not appreciate how much work has been done in the disposal of spent fuel. In fact, other countries are now implementing the deep burial of this waste, very similar to what we have, which I think either has begun or is about to begin the Federal Environmental Assessment Review Office hearings

in Ottawa. I think ignorance of the facts is the biggest part of it.

**Mr Huget:** You mentioned as well in your presentation that the \$240 million that was redirected to demand management is not a sound investment. I guess my question is, would it not be prudent for anybody to look at demand management? When we look at the total overall costs of facilities like Darlington and Bruce, the related problems we have at Bruce in terms of the amount of money we are going to have to spend in retrofits and upgrades, does it not make sense, as a responsible citizen, to look at alternatives before we commit ourselves to these kinds of projects?

**Mr Broughton:** Oh, absolutely. We are fully in agreement with demand management. In fact, from our point of view efficient conservation and demand management are the first priorities, but we also recognize that conservation and demand management cannot handle our needs. We need the entire broad range of options available to Ontario Hydro.

The reason we say that was a mistake is that we had no qualms with government money being spent—or perhaps even Ontario Hydro—but specifically government money being spent to investigate efficiencies in conservation. What we are saying was wrong was removing from Ontario Hydro the option of going nuclear, as it has lost its cheap-source.

**Mr Jordan:** Thank you, gentlemen, for your excellent presentation. I would like to ask you quickly if you could give us some direction. You just asked, "Why are some consumers so concerned about nuclear energy being a part of our power base?" You said it was based on ignorance of the facts. Could you give some direction to this committee not only on that point, but how we might correct that situation?

**Mr Broughton:** Indeed, it is a very broad subject. We broached that in May of last year when we issued a position statement on electricity in Ontario. We have included a copy in the back of the Organization of CANDU Industries brochure.

One of the recommendations we made was that a special advisory committee should be formed bringing together knowledgeable members of industry, government, academia and labour as a forum in which to advise the government on how to address many, many issues, not the least of which is misinformation on the question surrounding the nuclear industry.

**Mr Jordan:** Thank you very much.

**The Chair:** Gentlemen, I want to thank you on behalf of the committee for your participation, for your comments prepared in the written brief as well as for your responses to the questions put to you. We appreciate the time you have taken to be here and trust that you will keep in touch and follow the progress of this bill.

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#### VOICE OF WOMEN

**The Chair:** The next participant is the Voice of Women. Would you please come forward and have a seat. We have with us three participants representing the Voice

of Women, Ursula Franklin, Betsy Carr and Anna Lou Paul. You have a written submission, which is filed now and is an exhibit and forms part of the record. You have outlined the background, and of course all of us are aware that Voice of Women is not only well established but well known as a Canadian women's peace organization. You have been active for over 30 years and you have outlined some of your background.

The interesting facets of your presentation are the rationale for your comments on the bill and your specific comments on Bill 118. Please proceed with those and try to leave us time to ask you questions. That is undoubtedly a valuable part of this process.

**Ms Franklin:** Thank you. I speak on behalf of my colleagues. Just to put at rest worries about misinformation, non-information, it is not germane to us but it may be germane to you that I have a PhD in experimental physics and have just retired after more than 20 years as a professor of engineering from the department of metallurgy and material science. I have worked at the Ontario Research Foundation and have been a member of bodies such as the National Research Council and the Engineering Research Council.

Please, just as my friends and colleagues had the benefit of professional advice, do assure your constituencies that the subject of ignorance of citizens is not as widespread as the flu. We have been around and have developed a certain amount of immunity to the, let's say, male conceit of those who think that nobody except those who wear an iron ring can possibly be informed on matters of energy.

I must say that I would like to express my sympathy with you. You have travelled on these matters throughout the province and have heard, I am sure, a large number of views on matters where there really are only a few questions. You very much have my sympathy. I take you to a world where things look very different from what you heard. We have been in the fortunate position of being intervenors at the current Hydro hearing so that for those questions of cost-effectiveness, of nuclear, etc, we have had the details of Hydro's own information.

I do not want to address that, however, but the matters of the bill very specifically. We want to address these from essentially five perspectives which form our view.

The first one is that energy policy, of which the Power Corporation Act is a part, is essentially social policy and economic policy and consequently a matter in which citizens have a very profound interest. It is crucial for us that this process is open and transparent and that there is accountability through elected representatives.

We see energy as a currency of an industrial society, and we see the absolute need that this currency be spent responsibly, not wasted, no bad debts and clearly accountable. However, we would also like to stress that we see energy in context. Energy is not an issue; energy is a tool to do something. The context however is also that of the environmental intersocial implication. Seeing energy in context, we see and are very clear that electrical power generation is only one of a spectrum of energy services that must be available to the citizens of Ontario under a set

of criteria that are not set by the supplier but by the country and its elected representatives.

We have seen among our colleagues and their friends a great deal of willingness to be receptive to the needs of the country, to the savings in energy that can come from changes in lifestyle. In many ways, around the province there is a great deal of willingness to have responsible and conserving lifestyles, provided these practical alternatives are available.

It is from those perspectives, energy in context, the spectrum of energy policy as industrial as well as social policy, the democratic transparency and the need and willingness to be very conscious of environmental impact that our direct comments to the bill are made.

We want to talk about the reorganization of the board of directors. The adding of extra numbers is indeed to us only justifiable if those new directors represent constituencies that otherwise were not on the board. Merely stuffing the board is of no use. We would like therefore to see that the new board positions be specified either in the act or in the administrative provisions to the act as to be used to enlarge the constituencies, be they technical or non-technical, in particular the constituency of consumers and women as consumers.

We see nothing wrong in the presence of the Deputy Minister of Energy as a nonvoting member. We indeed welcome the fact that the historical intimacy between Hydro and the government is legalized in that sense. If there are policy directives, we much prefer that the government direct Hydro and not, as has been so frequent in the past, that Hydro direct the government.

However, in terms of context, we think that the Minister of Energy and his deputy cannot solely represent all spectra and all facets. We would prefer to see, in addition to the Deputy Minister of Energy, the Deputy Minister of the Environment, even if that would mean one less position on the board.

With that same question of energy in context, we look to the subsection regarding the conservation programs. I heard the previous presentation on meddling by the government. With Ontario Hydro, I think the crown corporation, if that is a public institution, does require directives. When I say to my son, "Pick up your socks," it is mother meddling, but from my point of view, it is a good ordering of a functioning family. I hope you will see that the function of policy directives that do not come out of ignorance but out of need is a rightful place of government intervention.

It is that energy in context that brings us to a critique of the legislation with respect to the conservation programs. We see and take some objection to the narrow definition of conservation as reduction of energy consumption or, as some say, that is economically advantageous at the moment over the consideration of impacts on the environment. We would suggest to you that subsection 56a(2) and the three paragraphs of 56a(3) each contain at the end of the text the phrase "with due regard to environmental impacts," because only then can the viability of a conservation program be judged.

We feel rather ambivalent about Hydro's role as directing conservation efforts. While conservation efforts are

needed, we are not sure whether Hydro will not act as a gatekeeper in terms of screening out, in particular, new conservation technologies under the guise of economic efficiency.

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I want to illustrate that by the example of heating. The legislation permits Hydro now to help in the substitution of natural gas for electricity. Assume, however, that the case be heating with natural gas versus heating with solar. Assume a municipality switches from electrical to gas space heating. It can put these costs as capital costs, as the amendments on Bill 118 permit. That is a great advantage, that it is not current expenditure but capital cost. We feel that same advantage ought to accrue to somebody who may wish to switch from gas to solar heating.

We urge you, because we do not have the means in this particular bill, to assure that the advantages given to Ontario Hydro as a vehicle for conservation not be out of step with the advantages that may be given to other utilities, let's say gas, let's say oil, as proponents of conservation technologies. Otherwise Hydro will remain a gatekeeper favouring certain things, well beyond its mandate of the supply.

Finally, we would like to draw your attention to what we consider an omission in the bill. You will see that in the section that describes the purpose of Ontario Hydro, section 95, it says Hydro's business is a long list that includes the generation, transmission, distribution, supply, sale and use of power. We have watched with some care and we have seen at the hearing the problems arising with non-utility generation and the distribution function of Ontario Hydro. Historically, Hydro has both been the supplier and the distributor. Now that other suppliers can provide the province with electrical energy, the distribution system of Ontario Hydro takes on another dimension.

You can imagine that with people who build cars and roads, you first had a monopoly of people who built cars and maintained roads. When a new carmaker comes up, the situation cannot arise that they are excluded from the road. Historically, Hydro has been the road and the car. We now have new cars on the road, so I would urge the committee, in the amendments you may bring to the third reading of this bill, to consider a clear decoupling between the supply functions of Ontario Hydro and the mandate to maintain the distribution system for electrical power, regardless of who generates it. These are our remarks and we are awaiting your questions.

**The Chair:** Thank you, ma'am. Mr Conway, two minutes.

**Mr Conway:** Dr Franklin, as I would expect, a very stimulating and most illuminating presentation. I think your last point is a particularly telling one. I do not think there are very many people who have begun to realize what the growth of non-utility generation means for the transmission function of Hydro and I think some very heated political battles, locally and centrally, await us, and not too far in the distance.

In the limited time that is available, the question I would simply like to raise with you is that I think you are one of the few, perhaps the only presenter I have heard

over the course of many days now, who has in dealing with the energy question raised the whole issue of lifestyle and the extent to which we are going to have to rethink some of the lifestyle to which we have all grown accustomed, certainly those of us who are of a younger generation. I suppose I would like you to sort of flesh that out to some extent. I have heard you on this subject in other fora, where you have had some very interesting things to say. As a practical matter for practising politicians, the concern for me is that, to the extent there may be lifestyle changes not too far in the distance to prepare for a new energy policy, what advice would you have for politicians who may find there is something of a gap between what will have to be and where the bulk of the population now is?

**Ms Franklin:** Three things: One, do not underestimate the bulk of the population. People are pretty thoughtful, and the notion that this has to be done like cod liver oil stands a little bit in the way of saying it is really not all that horrible.

I think one of the things the politician has to see is that the alternatives are possible without people making fools of themselves. If you look at the transportation system, it is not a hard thing to leave the car, but you have to get somewhere. If I want to see our children come to Bracebridge, they do not have a car, but the scheduling of buses, the availability of trains are the things that will bring people to do it, not grudgingly but happily. Who wants to sit on the 401 or 400?

I think the politician's imagination is primarily engaged in finding novel, useful ways of stimulating others. What is wrong with a car pool? What is wrong with a minibus? What is wrong with investing a little bit into an 800 number on car pooling, on having vans on demand? The entrepreneurial spirit should come out of every buttonhole when you lay down the possibility of an 800 number, possibly the guarantee of a safe driver. Find yourself a voluntary police person who will go into that.

There are ways, but not without engaging the people who are involved in designing and helping them to design the alternative. I think, or my friends will confirm, there is a much greater willingness, there is a much greater imagination. It may need a clause in the Insurance Act for these minivans, it may need an 800 line, it may need some enabling help, but it is far less of an expenditure and effort than having to deal with acid rain from too many cars.

I would think, call in people, let them come in, let them be specific and let it be theirs, not, "Somebody ought to." Does that answer you?

**Mr Conway:** Thank you.

**Mr Jordan:** Thank you for your excellent presentation. You state clearly here that your committee has long favoured public investment in energy conservation rather than in energy generation.

**Ms Franklin:** Yes.

**Mr Jordan:** Taking it as a known fact that we require both, do you as a group have any objection to nuclear being part of the base generation?

**Ms Franklin:** Yes.

**Mr Jordan:** Could you—

**The Chair:** Thank you, Mr Jordan. Mr Dadamo.

**Mr Dadamo:** How much time do I have?

**The Chair:** Very little.

**Mr Dadamo:** Oh, boy. On the top of page 2 you say that VOW—

**Mr Arnott:** On a point of order, Mr Chair: Our caucus had very little time for a response from the witness and we would like to have some more time.

**The Chair:** I understand that. You asked a question; you got the answer.

**Mr Jordan:** No, we did not. We got half of the answer, Mr Chair.

**Mr Dadamo:** On the top of page 2 it says, "VOW sees value in increasing the number of board members only if the additional members will increase the presence of previously unrepresented constituencies, be they civic or regional." Many of the groups we have talked to across the province and also here in the last couple of days have showed much dismay at the increasing of board members. How do you see the importance of new or additional board members to the success of Ontario Hydro in the future?

**Ms Franklin:** I think it is the receiver community that must have an input. If I may link that to the half-answered question, when Ontario Hydro, for instance, decided on whether nuclear is a viable economic option, how many people on the board were those who said, "No, we are stuck (a) with too much cost, (b) with too much pollution and (c) the deep-drilling stuff is undoubtedly going to be somewhere where I live"? It is a representation of the receiver communities, those who have to deal with the consequences of Hydro's plans, that ought to be on the board when that is dealt with, and if they had been, I do not think Hydro would ever have gone into nuclear.

**The Chair:** Thank you. On behalf of the committee I want to thank the Voice of Women and the three of you very much for your time, your interest and your insights. I hope you keep in touch. Take care.

**Ms Franklin:** We wish you well. I know it is not easy.

**The Chair:** It certainly is not.

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#### ATOMIC ENERGY OF CANADA LTD

**The Chair:** Atomic Energy of Canada Ltd is the next participant. Please tell us who you are. We have 20 minutes. Please spend no more than the first 10 minutes so as to leave sufficient time for questions and dialogue.

**Mr Lawson:** Thank you, Mr Chairman. My name is Don Lawson and I am joined by Doug Christensen, both of AECL.

Mr Chairman, honourable members, ladies and gentlemen, thank you for the opportunity to speak today to Bill 118 as it relates to Ontario's energy future. AECL greatly appreciates the government's consultative approach on this important topic. It is an important subject because when you look at society's needs, I guess the first priority is food and the second is energy—energy for transport, for the factory, for the home, the school, the hospital. Electricity has an enormous role in providing this vital energy. Let me

stress that all of us in Ontario, companies and citizens alike, have benefited from the principle of power at cost. It is clearly desirable to see that these benefits will continue.

I would like to concentrate my remarks today on the broad energy directions for Ontario which Bill 118 is designed to facilitate. Let me introduce AECL, Atomic Energy of Canada Ltd. We employ 3,400 highly trained and skilled people in Ontario. We have two parts: a research part and the Candu part. The research part runs the national laboratories, which covers a wide range of nuclear engineering and science work. It is located at Chalk River in Ontario and Whiteshell in Manitoba. Chalk River is of course Canada's largest R and D scientific laboratory. AECL Candu for its part is responsible for the design, marketing, project management and quality assurance of Candu stations. We also supply a wide variety of high-tech nuclear engineering services to clients around the globe. We are the commercial arm of AECL and we do not receive any government-vote funds or grants.

Our head office is at Sheridan Park, Mississauga, where we have over 900 people and a testing laboratory. We have an office in Montreal with 135 staff and smaller offices in Fredericton and Saskatoon. Outside Canada we have offices in Washington, Seoul, Buenos Aires, Bucharest, The Hague and Tokyo. As president of AECL Candu I am proud of its people and its products and in particular I am proud to say that the Candu work of AECL is and has always been profitable.

Last year we brought \$1 billion worth of orders into Canadian industry. I should point out that while we do the engineering work ourselves, we buy many services from other engineering companies. AECL does not manufacture anything, so when we get an order we buy the parts, equipment and components mainly from Canadian manufacturers. For example, the \$650-million order from Korea last year has roughly a \$450-million Canadian content, of which we purchased \$250 million worth from precision manufacturers and engineering companies, and the lion's share of that work goes to Ontario. This provides thousands of jobs in our crucial manufacturing sector. To put the work AECL does for Ontario Hydro in perspective, it contributed about \$40 million worth of our last year's \$1 billion worth of orders.

AECL and Ontario Hydro go back a long way together, over 40 years. When the idea of Candu emerged from the laboratories, Hydro and other Canadian utilities and the private sector joined forces to study the new concept. AECL, Ontario Hydro and the private sector jointly built NPD, the 22-megawatt prototype reactor at Rolphton, Ontario. The larger demonstration unit built at Douglas Point was again a joint exercise.

Once we came to the booming 1960s, Ontario had to make a decision on new power sources. Demand for power had outgrown the capacity of the hydroelectric plants at Niagara. The choice then was to buy into new home-grown nuclear technology or to import more and more US coal. Hydro cautiously started by constructing two units at Pickering. We, together with the government of Ontario, profitably invested in the first two units at Pickering. Ontario Hydro subsequently went on to build

more units at Pickering, then eight units at Bruce and now four units at Darlington. AECL's scope of work in the Ontario program has been reduced as Hydro has undertaken more work itself and AECL has concentrated on work in other provinces and overseas.

What have been some of the major impacts of Ontario's Candu program? Clearly, Hydro's nuclear power plants have generated major benefits. The cost of nuclear has been less than coal. This is shown not only in the audited annual reports of Ontario Hydro, but also in the independent cost studies. Even in 1990, when total system performance was down, the cost of electricity for nuclear was 4.2 cents per kilowatt-hour and the cost for coal was about 10% higher.

Since the early 1970s Ontario has saved over \$17 billion in foreign exchange. This is because Ontario used Canadian uranium instead of buying mainly US coal. The accumulated benefits of the Candu program over the equivalent coal program amount to about \$6 billion. So the program has been a large financial success. The Candu program has helped Ontario maintain competitive power rates, rates which are 25% to 30% cheaper today than the majority of North American jurisdictions. In terms of reactor reliability, four of the top 10 lifetime performers in the world are Candus, three of those being Ontario Hydro's, and the competition is stiff because that includes 300 large reactors.

Perhaps the most significant benefit is the huge clean-air dividend paid to Ontario's environment through the Candu program. Using Candu rather than coal has spared the atmosphere 10 million tonnes of acid gas, 23 million tonnes of coal ash have been avoided and millions of tonnes of carbon dioxide were not emitted into the atmosphere to warm our planet.

On the other side, on the human level, about 25,000 direct jobs have been created in Ontario's nuclear industry. These are good jobs, many of them high-tech. Candu is largely a made-in-Ontario energy system. Nearly all the work and jobs are located here. In a coal-fired station, on the other hand, the coal is imported and hence we have to pay for the jobs in the coal mines of the USA.

It is true that the performance of a few of the older Ontario stations have slipped over the past two years. As you know, the nature of the nuclear units is that they require a lot of capital to build, but they are cheaper to run over their lifetimes. Hence you have to get as much power out and not leave the station idle. I am sure Ontario Hydro would tell you that it cut back on some of the maintenance a few years ago. Now that maintenance work has to be done. It is just like cutting back on the maintenance of your house. You can get by for a year or two and then it eventually catches up with you.

Last year Ontario Hydro had some success and improved the overall annual performance of its stations to 73%. In fact, when you look at the newer B stations, they averaged 80% of the time on line. We at AECL Candu have been providing our key engineers during the last couple of years to assist Hydro to get these plants back up to the customary high-capacity factors that Candu is known for.

What about Darlington? It is a lightning rod for debate in the House on Bill 118. Darlington unit 1 is now at full power. It produces fully one half of all the power from Niagara Falls with just one reactor. Darlington unit 2 is on the way to having its technical problems resolved and despite the construction delays, electricity from Darlington over its lifetime will cost about 4 cents per kilowatt-hour, cheaper than the equivalent coal. I should point out that \$5.5 billion of the cost of Darlington has been interest payments during construction and almost \$4 billion of that is attributable to the cost of various provincial governments starting, stopping or slowing the project.

The Canadian nuclear program diverged along two complementary paths. Ontario Hydro went on to build large, integrated multi-unit stations. In other provinces and countries we did not have customers for such large projects, so we developed a single standalone Candu. It is known as the Candu 6. It is based on the Pickering A design. There are now four Candu 6s in operation: one in Quebec, one in New Brunswick, one in Argentina and one in Korea. There are six more under construction in Romania and Korea and we are currently bidding on two more in Korea.

The Candu 6 at Point Lepreau, New Brunswick, is the world's top-performing reactor, with a capacity factor of 91% since it started generating electricity in 1982. New Brunswick has sold about a third of its power to the US. This has earned \$1 billion for the New Brunswick economy, which adds up to jobs and cheaper power rates. That makes their goods and services more competitive.

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As you know, Hydro's new demand and supply document was released last week. The document states that smaller nuclear units than the Darlington concept would be considered, a reactor which is cheaper, more flexible and faster to build. We at the AECL have seen this need for some years and we built the Wolsong 1, Korea's first Candu plant as a turnkey plant in five years. We had the order for the second one last year and that will be completed in June 1997.

AECL values Hydro as a key customer and not only as a customer. We provided some export orders to Ontario Hydro to provide work for our foreign customers and we particularly value the close association that allows Candu utilities to hear at first hand from a leading utility like Ontario Hydro. As an energy system supplier, we need utility customers who can work with us and tell us their requirements: how much power they need, what size, the technical details and when they need it. We have to plan our R and D and design development years ahead in order to match those utility needs. Clearly, in today's uncertainty, we the supplier have to try and provide flexibility. Above all, products with short construction time are needed. It would be a pity to lose the option of competitive, clean nuclear power because key decisions were not taken in time.

I think it is instructive to see in the demand update that nuclear power will still be the dominant source of electricity in the province for the next 25 years even without building new power plants.

In conclusion, the government and Hydro's common determination to make Ontario the most energy-efficient jurisdiction bar none is ambitious and necessary. We fully support demand management, conservation and efficiency measures. As for supply-side planning, which requires that new energy sources be ready to go as the economy recovers, we recognize that plans can change and they can change rapidly. Utilities have the almost impossible mission to accurately predict the future economy. Undoubtedly Hydro's last demand-supply will change again once the economy and other factors predicted may change in an unpredictable manner. We aim to be there to be able to provide components and equipment when Ontario is ready for that.

Thank you, ladies and gentlemen. I would be pleased to take any questions.

**The Chair:** Thank you, sir. Mr Jordan, two minutes please.

**Mr Jordan:** Thank you, gentlemen, for your presentation. It was certainly very informative and well appreciated. In a few words could you explain the Candu system so that our committee is knowledgeable, and so that we are not comparing it to Chernobyl and other places where there have been serious accidents.

**Mr Lawson:** I will attempt the very quick answer in relation to Chernobyl. Candu is a very neutron-efficient reactor, which means it is only just about the size big enough to work, so any shutdown rod you put in there closes it down quickly. The Chernobyl reactor was the equivalent of 26 times that. It is kind of like having a dog sled team, where if you have one dog you can go where you want to and if you have 26 going in all directions, you do not know where on earth you are. That was a difficult reactor to control and certainly one where the design and operation was very bad. It is completely different. There is no real comparison except that they both use nuclear fission.

**Mr Huget:** Thank you for a very informative presentation. In the presentation, you refer to electrical rates in Ontario being 25% to 30% lower than most jurisdictions in North America. We have heard many presentations, particularly from major power users, who are telling this committee that we have the highest rates in North America. Which one of you is right?

**Mr Lawson:** I think it is maybe selected figures. There are some utilities in the United States that do have low costs. Traditionally Canadian utilities have benefited from much lower costs, but on average I believe the figures that we are quoting are correct. You can find jurisdictions, and if you are a manufacturer and someone is tempting you down there by lower power rates, that is very instructive. I was talking about total power rates. They may well have been talking about power rates for manufacturers, which are sometimes different from power rates for private, public consumers.

**Mr Huget:** Given the cost in huge megaprojects, and I refer to Darlington and projects like Darlington that are usually a top-driven, heavy-debt type of project, does it not make sense for us to examine all the alternatives in generating electricity and using energy and not just the nuclear option?

**Mr Lawson:** Certainly, because in our international competitive work the utilities we are trying to sign to will do just that, so our challenge is to be able to beat any of that competition. When you are talking about the larger projects like Darlington, one of the directions we are going and have gone in our overseas work, if you look at the Wolsong site in Korea, the units are being built one at a time so there is no big piece of financing that is needed all in one go. You can build them when you want them and you still get some of the economies of having them on the same site. The same applies in Romania.

We have been looking to see how we can get nuclear units so they are not such a big piece of investment all in one go. It is also instructive to look at what the total investment bill of Ontario Hydro looks like. It looks enormous when you see it in one figure, but if you spread it as a percentage of every householder in the province it is really quite small with the comparison of the cost of houses these days; it is a couple per cent. Is it worth a couple per cent to get an adequate electricity supply?

**Mr Conway:** Mr Lawson, a very interesting presentation. Kurt Browning should take note: You have skated with dexterity and a diplomatic aplomb through this mine-field quite well. There is a subtext here that long-time observers might read and lead to a conclusion other than the one that is evidently stated, but as I say, diplomacy is not one of my strengths; I admire it in other people.

One of the interesting aspects of this whole debate is the chairman's demand-supply update of last week, to which you have made very diplomatic reference. But clearly it is the intention of the new order that there will be no need, on the basis of very creative demand management, for any new significant supply to be committed now for almost 20 years. When married to a nuclear moratorium for Ontario, that might lead some sceptics to believe there will not be much left for AECL to do other than presumably to assist Hydro to maintain its existing nuclear plant equipment and obviously to engage in whatever non-Ontario and international business it might effect, whether in Korea or wherever.

Would you care to comment on a negative scenario where in fact something like that did happen, there turned out to be little or no growth for your activities in Ontario over the course of, say, 10 to 15 years? What would be left to anybody by the year 2005 who might want to rethink the nuclear option? Would there be enough basic research and development infrastructure left at that time?

**Mr Lawson:** Certainly that is a question we look at ourselves. If we are in a situation where we, in our domestic market, have very little opportunity, it is not going to be very easy to run a business. One of the points I wanted to make is that the Candu business is a successful business in the country and particularly in the province. There are not many engineering businesses that have been able to bring in \$1 billion worth of orders in the last year, and we are intending to bring in more in this year.

If the view of the province is seen as a continuous moratorium with no opportunity for Candu in the future, then that is going to be very damaging for us and for our

business and it is going to be very damaging for those employed in the nuclear business in the province. It would be very difficult to get that work and those jobs coming. We hope that is not the case and that what we are seeing here is an attempt to have more conservation, and the effect of the recession, so it is a case of putting the time back a bit.

I mentioned how long it takes to get a nuclear program going, and one of the things we have to do is to see that while this extra time is being taken, if the need is still out there we can build a station quicker and still get the power from an effective nuclear station when it is needed in the province. We certainly do not see the decisions that are being taken at present as an abandonment of nuclear in the province, and I sincerely hope that is not the case, because that would be extremely damaging to the economy not only of Canada, but particularly this province.

**The Chair:** Gentlemen, thank you on behalf of the committee for your participation, for your contribution. We appreciate very much that you took time out to come here this afternoon. Thank you.

1510

#### DURHAM REGION COALITION FOR NUCLEAR RESPONSIBILITY

**The Chair:** The next participant is the Durham Region Coalition for Nuclear Responsibility. Please come forward and let us know who you are. You have 20 minutes. There is a written submission that has been filed. It is an exhibit; it is now part of the record. All the members of the committee are reading it.

**Mr Rutherford:** I have a video to show you if I can figure out how to work it.

**The Chair:** This is a good opportunity for committee members to read the submission so that Mr Rutherford will not have to read it and then we will be able to get right into questions after the video.

I do not think we can blame this on the government. I think that equipment has been around for a couple of years.

**Mr Rutherford:** Hello. My name is Bob Rutherford. I have been a member of the New Democratic Party for over 25 years. When I was 15 years old I made Ed Broadbent's first election lawn sign. I also designed the peace tower logo which the federal NDP used for years. I have been chairperson of the Durham Region Coalition for Nuclear Responsibility since 1982. I am also CEO of Robert John Rutherford Electric Co, a research and development corporation which does research and development on alternative energy sources such as energy-efficient houses, solar domestic hot water collector systems, high-efficiency wood heat exchangers, such as this unit here, controls that plug into existing computer systems to control windmills and other alternative energy products. This is a 20-kilowatt wind generator. This air foil gives you 20 kilowatts of electricity in a 30-mile-an-hour wind. This is primarily designed for the farmers of Ontario and for the Third World.

Funding for the past 10 years of our research and development projects has been done by Bob's Electric. Bob's

Electric is a division of Robert John Rutherford Electric Co and is a maintenance and construction company. Doing electrical construction and maintenance for the past 10 years has given us a good working knowledge of Ontario Hydro and the Power Corporation Act.

On Thursday, May 22, 1986 at 8:30 in the morning I witnessed an Ontario Hydro truck drive into a neighbour's backyard and unload some lumber. I was fortunate enough to have a camera and take pictures of the incident. After the employees unloaded the truck they went into the house for about 10 minutes carrying some boxes, then they returned to the truck and drove by. I had the film developed and turned it over to Durham Regional Police and told them that I considered it a possible theft. Durham Regional Police contacted Ontario Hydro and Ontario Hydro instructed them that it is in the public's best interest to forget the whole thing and cover it up, and that is exactly what happened. So I turned around and wrote a letter to Tom Campbell, chairman of Ontario Hydro, with copies to all three political leaders in the provincial Legislature and also to the media. None of them would do anything about it because there were never any charges laid. Tom Campbell did credit [inaudible] for telling him about it, and that was all that was done about it and the whole thing was forgotten.

On August 6, 1986 the Durham Region Coalition for Nuclear Responsibility was promoting the Darlington peace festival. The city of Oshawa would not allow us to paint chalk shadows on the sidewalk as they did in Toronto for the anniversary of Hiroshima. The local media, CHEX from Peterborough, wanted to do a story on it. When we were talking about doing a story on not being allowed to paint the chalk shadows on sidewalks because our council could not comprehend how they would be removed, I mentioned about the Darlington theft scandal. They turned around and did a story on the Darlington theft scandal. This is their news story.

[Video presentation]

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**Mr Rutherford:** Any questions?

**The Chair:** Mr Rutherford, I am sorry to tell you we have gone over the time.

**Mr Rutherford:** Can I make one more statement? What we have here is a crown corporation which is totally out of control and what we have to do is make it accountable. We have to break up its monopoly of the grid to allow people like farmers who have windmills and stuff, the independent power producers of Ontario, to sell electricity. When all this electricity is sold to the grid, we will market it and sell it to the United States. The money we make off it, the profits, will come back to the government to pay for Hydro's debt, pay for the provincial budget that we are running into for \$9 billion, which is necessary. Also, after that is all paid for it will be another source of revenue for the government.

We have to free enterprise and let Hydro compete against private industry. The way it is now, if you take the Windsor program—do you all know about that? Hydro said no to Windsor. Windsor could build it cheaper and do it better and still make a profit.

It is time we had some free enterprise here and started a brand-new industry. If the grid were opened up and they guaranteed the market 3.6 cents a kilowatt for electricity, you would find tomorrow that a million jobs would be created and a \$10-billion industry would open up in this province. Because of Ontario Hydro's monopoly and gross mismanagement, we will never see that industry develop here. Those are jobs and technology we can export globally as well as use in this province.

The other thing is that I do not think Ontario Hydro, being a monopoly, should have a \$10-million-a-year propaganda budget. I also feel too, dealing with the Ministry of Energy, to me and to anybody I know who has dealt with it, the Ministry of Energy has basically just been an extension of Hydro's propaganda machine. It should be dismantled. We should start the ministry of conservation and promote conservation, be champions. We should not allow the monopoly with that.

The nuclear industry, if it had to compete privately, on its own two feet, would fall down. What killed me was listening to these guys talk. When they built it, the best Douglas Point would ever run was 42% of its design capacity. It took them two years to get the bugs out. When they did get the bugs out and it did run, the electricity it sold did not even cover the interest on its construction. They lost over \$10 million annually. After 13 years they scrapped that nuclear plant because the cooling system was not sufficient enough to stop the core meltdown.

I spent half my life up in Port Elgin, at the labour camp there. We used to go down there and play all the time. I thought nuclear power was wonderful till, later on in life, I actually researched it.

**The Chair:** With that, Mr Rutherford, I have to thank you on behalf of the committee. If you wish, you can leave your tape or send a duplicate.

**Mr Rutherford:** I have a copy for you.

**The Chair:** It will become a part of the record.

**Mr Rutherford:** You guys are in the driver's seat. You have an opportunity to make some great changes here. If you do it, you will be in power for the next 25 years, just like the Tories were. That is what we need.

**The Chair:** You have just scared the daylights out of a few people in the room. Thank you, sir.

JACK W. L. GOERING

**The Chair:** The next participant is Mr Jack Goering. We have your written submission. We are ready to hear what you have to say, sir. Please leave us time to engage in some dialogue with you.

**Mr Goering:** Thanks very much, Mr Chairman and ladies and gentlemen of the standing committee on resources development. I do not know whether you want me to read through this, since you have a copy.

**The Chair:** Please highlight it for us so we can get down to the nitty-gritty.

**Mr Goering:** Perhaps I will just do the highlights. You should have two packets. The second packet is as a result of having written this. Things came up since it was written on January 9. I will refer to those in a moment.

This is addressed to the fuel-switching part of Bill 118. In the first part, under the heading of "Efficiency," it mentions that the efficiency of using electricity from oil is very low. This appears on the first page of your addendum, a table of comparisons of home heating efficiencies. The third from the bottom, nuclear to electric, is 15%. That is the overall efficiency from digging up the uranium to the actual heating of the house. The next one up is the same system using coal, 21%. If you go up two higher, to natural gas using a natural gas furnace which is about 90% efficient, you get 60% efficiency. This is, again, right from the resource to final heating of the house. On this basis, electricity is not a very good item to use for heating a house.

As far as the cost to consumers is concerned—this is the third paragraph on the first page of the brief—consumers are obviously interested in saving money. If you look at the five sets of figures about three paragraphs down, if you use 100% electric heating, it costs \$835 a year. These figures are for 1987. Oil heating costs \$800. If you go to high-efficiency gas heating, it costs \$473, but to sort of split it down the middle here, taking not-so-efficient gas heating, it would only cost you \$660, close to a difference of \$150 a year. If you are trying to save money and put it into the economy, why spend it on fuel which is not doing a very good job?

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As far as the next section, "Pollution and Global Warming," is concerned, every time you cut down on using coal, you are cutting down on using or producing carbon dioxide, sulphur dioxide and the nitrous oxides. On the next page, these figures are obtained from a report by Passmore Associates, which if you have not already got it you probably will. I saw a reference to it this morning in today's *Globe and Mail*.

**The Chair:** I should tell you that Mr Argue from Passmore was here speaking to us yesterday.

**Mr Goering:** That is what I was referring to. In today's *Globe and Mail*, it was mentioned.

**The Chair:** He filed his report with us.

**Mr Goering:** I am just referring to that. I am not going to go over that again, but in the last paragraph it says that promoting a switch from electric heat to an alternative fuel, preferably renewable, would help to produce the production of greenhouse gases.

On the next section, "Solutions: Saving Energy, Saving Money and Reducing Pollution," not much has been said. I have not been here to all of these meetings so I do not know whether, apart from the last one, solar panels have been mentioned. I have been using them since 1977 in my house in Port Hope which is 60 miles or 100 kilometres along the shore east of here on Lake Ontario, in conjunction with, in one house, electric hot-water heating and, in the next house, gas hot-water heating. In the summertime, it reduces the bills by close to 75%. In the wintertime, with weather like this, it does not help a great deal. However, if a lot of people used them, it would again take most of the basic load off by helping to put in the first amount of heat—solar—which of course is free, and then the rest

would have to be peaking power which would again be coal in most cases.

The next section, regarding the negawatts, you have probably heard discussed. I do not want to go into that in great detail, except to say that the report I referred to—I did not make copies of it because it is several pages. I have a few if you are interested in them.

In the most recent issue of *National Wildlife*, it mentions the town of Osage, Iowa, a town of about 4,000 people, which saves about \$1 million a year because its utilities department went in and finally convinced people that they could save a lot of money. Instead of spending it on energy, electricity and gas and so on, they would keep the energy in the economy in their town. They spend the money there. It is a very nice-looking town, and it attracts industry.

A kick-start for the economy, which so many people like to talk about these days, would be to make work for myriads of people in changing to gas where possible and oil where necessary to replace the electrical energy presently being wasted by the megawatt-hour. This is a good time to do it because if you get the economy going and it is going in the wrong direction, you are back in trouble again. The time to make the switch is now, while there is sort of a doldrums situation. If people can be working in the right direction to improve efficiency, to switch from the electrical energy heating system to gas, oil or an alternative, it would be the time to do it. It may seem expensive, but in most cases people have found out that the money you save in the long run is a heck of a lot more than you spend to start off with, so you really gain.

The next paragraph points out that in this article the US wastes some \$300 billion a year due to lack of insulation in efficient refrigerators, draughty doors and so on.

One complaint that I understand has been put forward is the fact that the municipal electrical utilities would be upset to see their profits go down. At the end of that paragraph, I say this should be investigated: an incentive to let the electrical utilities make some money.

Since I wrote that, I found a separate report, which is on your addendum, item D. It is called *The Negawatt Revolution*, by our friend Amory Lovins. What he does is explain that.

This is attached to your addendum: *The Green Energy Conference*. On page 10, which should be the last page of your addendum, under "The Role of Regulation" it says:

"In the US, our national association of regulatory utility commissioners (which has Canadian observers as well) has unanimously approved in committee, has also approved at the executive level and is now sending to the floor for very likely passage in November"—this was written in 1989—"a completely new principle of utility regulation: namely, decouple utilities' profits from their sales."

In this way they do not get taken advantage of if they do not sell their product. I am no economist, I am a retired engineer and high school teacher, but it seems to me from the information available—a number of states, eight of them at least, are working on this sort of thing and I believe Maine and California are making this work.

Towards the bottom of that paragraph it says:

"If they do something smart"—this is the utility—"to cut your bill, let them keep part of the saving as extra profit, or in some other way give them an exemplary reward for efficient behaviour."

Nobody is going to be completely altruistic these days. You have to have some kind of reward. If they can make money in a way that is acceptable, this would be a way of avoiding that problem of theirs.

I do not really need to refer to Mr Franklin's speech of October 22, 1990. I expect you have copies of that. The key item in that is the fact that if a builder installs 15 kilowatts of electric heat in a house in Ontario, Hydro has to spend over \$50,000 to build the power plant to keep that house warm. This is not a cheap heating system.

In the conclusion, I have written down six advantages that switching from electric to alternative forms of heating would give you. They are in no particular order.

I think that is about all I need to tell you; if you would like to ask any questions.

**The Chair:** Thank you for leaving time, because that is an important part of the process.

**Mr Waters:** We have had the Municipal Electric Association here representing the local PUCs. They have indicated they should run the board of Ontario Hydro for the public, that they would be the logical people. Do you think they would go into energy conservation in switching or do you think they would be going into selling wattage?

**Mr Goering:** As I just pointed out in this last little bit, I am not an economist and I really do not understand how they do this, but if you decouple profits from sales—I would like a concrete example of how that is done. Evidently it is being done in the United States and it appears to work, because you bring in competition. If they do bring in smart ideas about how to reduce use, they get something for it.

There are a number of water utilities working with electric utilities that are giving out, or selling at a very small fee, conservation kits of shower heads, toilet dams and so on. That is costing them something. Who is paying for it? In other words, at least they are getting a green pattern to their behaviour. That does not really answer your question except that if we change the rules, I think the electric associations or utilities would be a little happier.

**Mr Cleary:** I take it you support any type of conversion from electricity?

**Mr Goering:** Yes. Do not put me in a trap here now.

**Mr Cleary:** You have mentioned some of them. One thing I do not think you mentioned is wood.

**Mr Goering:** We use a wood stove in our house, a cook stove which heats the whole house. Therefore you do not use electricity or gas when you are using it. It is a tradeoff. Again, it is not always easy to give all the benefits.

**Mr Cleary:** You do not have a blower on your wood stove?

**Mr Goering:** No.

**Mr Cleary:** So you are losing a bit of circulation there.

**Mr Goering:** What I have is a little fan up in the ceiling. It is a bungalow and so it is hard to heat. A little

fan circulates it when it is cold at the other end of the house.

**Mr Cleary:** That is electricity, though.

**Mr Goering:** That is right, but you can also run that by solar. I have a trailer outside with a solar panel on it which keeps the battery charged all year. It would run a fan like that.

**Mr Arnott:** Do you believe it is in the interest of the people of Ontario to artificially raise the price of electricity so as to depress the demand for that commodity?

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**Mr Goering:** It depends what you mean by "artificially," because I do not know whether it is at true cost at the moment.

**Mr Arnott:** Strictly to depress demand, to make demand a function of the—

**Mr Goering:** It may be, but I would not go that way for a long time, because what you are doing is subsidizing it, in effect, in a reverse direction. I do not think subsidies are a very good idea.

**Mr Arnott:** Fuel-switching subsidies.

**Mr Goering:** Okay, a fuel-switching subsidy, but in a lot of these cases I have read about, it pays off to do that; therefore, it is not really a subsidy. It may look like it. In fact, California Edison, I think, has given away umpteen low-watt lightbulbs, which it finds is cheaper than building new power plants. Therefore, it is not really doing that. The other way, of course, is to put the price of the kilowatt-hours up.

**Mr Arnott:** Do you not support the program we experienced just a couple of months ago whereby Ontario Hydro gave out free lightbulbs to every household in Ontario?

**The Chair:** You can hold them up, if you wish.

**Mr Goering:** I know about them. The trouble with that is it was misleading in a way, because people are not educated to know how to use them. What I have heard they were doing is using a 52-watt bulb instead of a 40-watt bulb because they figured it was more efficient.

I would just like to point out that when I wrote this report, I wrote it as an individual. I am actually an individual member of the Conservation Council of Ontario. In checking with my standing committee on energy, I found I could not get them all together at a meeting, so by phone, by five to two, they supported this brief I have put forward.

**The Chair:** As you can well imagine, there has been a wide range of views expressed over the course of the last couple of weeks during these hearings. It remains to be said, however, that you and so many others like you demonstrate that there are people with a whole lot of expertise and talent, regardless of where they are on the spectrum, who are prepared to make themselves available to politicians if only politicians would listen.

I thank you very much for coming today, and for the energy you have devoted to this exercise. We all appreciate it, and we appreciate it not only from you, but from the others who have participated.

Transcripts of today and the rest of the hearings are available to you. Call your MPP. He or she will make sure you get them at no charge.

**Mr Goering:** Thank you for your time, and your comments and questions.

#### INDEPENDENT POWER PRODUCERS' SOCIETY OF ONTARIO

**The Chair:** The next participant is the Independent Power Producers' Society of Ontario. You are Mr Brooks, the executive director? Please be seated. We have 20 minutes. Try to keep your comments brief so that we have time for questions and commentary.

**Mr Brooks:** I am going to go through the two-page brief you see in front of you.

IPPSO, the Independent Power Producers' Society of Ontario, is a non-profit association of power producers, small and large, using cogeneration, small hydro, biomass and other technologies. Maybe just as an aside here, I will say that we are a lot larger and growing a lot faster than most people realize.

IPPSO represents companies that are, according to Hydro's plans, going to install 3,100 megawatts of power generation capacity by the year 2000. That is more power generation capacity than even Ontario Hydro plans to install in the same period. In other words, we are looking at a \$4-billion to \$5-billion investment being made by this industry in this province in the next few years, just to give you an idea of the size of the industry I represent.

We have about 400 members at the moment, both companies and individuals. We publish a magazine—copies are available at the back—an industry directory and other materials. We run an annual conference and trade show, and intervene in public hearings. We have been here several times—the select committee on energy, the Ontario Energy Board—and we are major intervenors in the current Environmental Assessment Board hearings into Hydro's demand-supply plan.

Independent power now produces about 5% of Ontario's electricity, and if Hydro's current plans are met, that 3,100 megawatts plus what is in place now will be about 14% of Ontario's electricity.

IPPSO has a dual role. Simultaneously we represent the private interests of our members, power producers and also some broader public interests like environmental interests, at least in respect to electric power planning issues. To date, IPPSO has not suffered from internal conflict resulting from the difference between the public interest and private interest roles. I think that may say something about the nature of our business: It tends to be conveniently aligned with the public interest in many respects. We represent an environmentally preferable line of power production technology, generally speaking.

Like other independent power organizations around the world, IPPSO stands for the principle of an open and competitive marketplace for electricity and open competition between energy services. IPPSO is not ideological: It recognizes that a mixed economy with roles for public, private and "third sector" enterprise will continue to characterize Ontario and Canada.

Other principles which are embodied in IPPSO's work of the last five years include diversity, self-reliance and recognition of social and environmental costs. Diversification of energy sources and maximization of regional and local self-reliance are benefits to the society that independent power does and will continue to promote.

One of the most important principles, which you may hear echoed over and over again, is that we stress the importance of recognizing that environmental and social costs of power production are real costs of power production. We may not pay them in our bills, but we pay them through our taxes, because it costs money to clean up after power is produced, and we should be recognizing this as the cost of power. IPPSO takes no position as to exactly how those costs should be charged or to whom, if anybody, but they should certainly be recognized when we are making planning choices, when we are trying to make comparisons among alternatives.

It may be interesting to note here that if you took a poll of IPPSO members, you would not find many supporters of the NDP, but you would certainly find many supporters of Bill 118.

On fuel substitution: IPPSO believes that enabling Ontario Hydro to engage in arrangements that promote the use of economically and environmentally preferable technologies and fuels is in the public interest. In fact, failing to do so would be failing the public interest.

IPPSO disagrees with the view that Ontario Hydro investments in efficiency or fuel substitution necessarily constitute subsidies. Bill 118 only empowers Hydro to offer incentives. IPPSO does not support the use of subsidies to encourage specific technologies or fuels, but stresses that social and environmental costs are, in effect, subsidies. If you ignore social and environmental costs, we are, in effect, subsidizing the most polluting technologies. If we want to get rid of subsidies, we should start recognizing social and environmental costs. Those are much more significant. Of course, this is directly connected with the interest of the industry I represent. Such subsidies should be eliminated or at least neutralized for purposes of making comparisons among alternatives.

IPPSO does acknowledge, however, the reasonable concerns of local utilities that are forced to accept reduced sales volumes as a result of fuel substitution. It is reasonable to argue that the system should not unduly penalize the local utility for fuel substitution. Probably the best way to accomplish this is for the local utility to take the initiative to pursue efficiency and fuel substitution opportunities and be rewarded for doing so—in other words, similar to what previous speaker said, making revenues correspond to capital efficiency more than to raw sales.

On the accountability of Ontario Hydro, the other major aspect of the bill, IPPSO does not see the power to issue policy directives proposed in Bill 118 as particularly threatening to Ontario's business climate. The government owns Ontario Hydro and it has to redefine its objectives from time to time. There already exist powers known as memoranda of understanding which accomplish the exact same thing through a more roundabout way. It is more appropriate that this regulatory power be openly identified

and legislatively empowered for what it is, rather than being lumped into halfway measures which we now have called memoranda of understanding. Governments have shown that they are reluctant to intervene directly in Hydro affairs, except where there is an important matter of public policy at stake. These fears serve as a check on the misuse of the power to issue policy directives.

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Hydro, on the other hand, must follow the broad policy directives of the government, and Bill 118 does away with ambiguities in that process. However, this power can be misused and that is why we need to look beyond perhaps this bill to a more comprehensive and in fact fairer method of regulating Ontario Hydro. This would make the use of policy directives unnecessary or almost unnecessary. IPPSO does not object to the enlargement of Hydro's board of directors. The number of directors proposed in Bill 118 is still rather small, considering the size of Ontario Hydro. The designation of the chairman as the chief executive officer is probably a means of ensuring accountability to the government and is not seen as detrimental to the functioning of the organization as long as government continues to appoint competent and well-trusted individuals.

As a result of the situation that has developed in Windsor, it has become apparent that further legislative or policy action is needed to ensure that local utilities retain their independence. Ontario Hydro should not be permitted to block a local utility from buying power independently unless it is going to cause severe damage to the environment or the social equity framework that Hydro tries to support between utilities. Legislation should be developed, in consultation with the Municipal Electric Association, that preserves the independence of local utilities and provides them with a mandate and incentives to pursue efficiency and sustainability.

In summary, our recommendations are, first, that we support Bill 118, and that you should waste little time in getting the fuel substitution programs in place.

There needs to be a mechanism to compensate local utilities for certain negative effects of fuel substitution programs. Further discussion is necessary in this area.

We would recommend that the Power Corporation Act amendments specifically require Ontario Hydro to calculate and factor social and environmental costs into avoided-cost-of-power calculations. This is actually a very large area, and I do not want to underemphasize this. It takes a lot of work to arrive at reasonable figures on social and environmental costs. We should not leave it to the last minute.

IPPSO feels it is important to emphasize that Ontario Hydro remains essentially unregulated in contrast to almost every other utility in North America. Consequently, changes to improve regulatory powers may also be required in the Ontario Energy Board Act or possibly some other legislation. A comprehensive regulatory system that examines and revises utility rates and plans, in addition to arbitrating between NUGs—our industry—and utilities, is very much needed.

In consultation with the MEA, further legislation should be developed that preserves the independence of

local utilities and gives them the mandate and incentives to pursue efficiency and sustainability.

**Mr Cleary:** Thank you, sir, for your presentation. In this pamphlet, you refer to cogeneration. I also see, in another pamphlet you have here, that you challenge Ontario Hydro's alleged transmission constraints. Would you like to expand a bit on that?

**Mr Brooks:** Transmission constraints are a very complex technical area. The article where we challenge Hydro's transmission constraints is produced by an expert in the area who was hired to deal with just this. As you may be aware, this industry is much bigger on the other side of the US border and transmission constraint issues are a major area of study for them.

The basic contention of our study is that most of the transmission constraints in the Ontario electric system result from the fundamental problem of having very large load centres like Toronto and very large centralized generating stations like Darlington. You have more transmission problems when you have centralized generation and large load centres. You end up with bottlenecks. In fact, independent power, because it is in smaller increments and more distributed geographically, reduces transmission problems.

**Mr Cleary:** You say you have 400 members. What about eastern Ontario? You talked about Toronto and Windsor. Is that problem as bad in eastern Ontario?

**Mr Brooks:** Oh, yes. There is quite a bit of independent power already in eastern Ontario and quite a bit more going in. In fact, Ontario Hydro first hired its regional NUG coordinator in eastern Ontario a couple of years ago, before it hired NUG coordinators for other regions.

**Mr Jordan:** Thank you for your presentation on the independent power producers. My question is to the transmission aspect of the product and the guarantee of availability. Let's suppose that Ontario Hydro was to enter into a network of independent generating stations. What type of agreement can you see for the use of their transmission facilities, and what type of agreement do you have in mind as a guarantee of availability of generation? If we are depending on you for the peak tomorrow morning at 6:30 and you phone in at 4 o'clock in the morning and say, "I am sorry, but my units are down," where would the ability be with that?

**Mr Brooks:** This is one area where we agree with Ontario Hydro and almost all economists. The way to manage that problem is with pricing. If we fail to supply—in other words, we are unreliable for some reason or other—just like any other power producer, our power sales contract provides for penalties which would cover the utility's cost of finding replacement power on the short-term spot market, if you can call it that.

The same goes for transmission, really. Although it is a tougher area to analyse—the costs and value of transmission services—we basically think any user of a public asset like the transmission system should be paying the allocated share of costs that can be attributed to their activity.

**Mr Jordan:** Surely we cannot say Ontario Hydro is responsible for the load growth in the greater Toronto area.

**Mr Brooks:** Oh, no. Conservation programs could have been started a few years earlier, but—

**Mr Jordan:** For people and the industry that is here, I think they have provided the generation that is as close to the demand as possible.

**Mr Brooks:** Generally speaking, but the bottlenecks are generally problems of getting power into Toronto.

**Mr Jordan:** We have bottlenecks with waste management and the whole bit because everybody is in the one spot.

**Mr Brooks:** Yes, Metro Toronto is Ontario's biggest problem, no question.

**Mr Jordan:** Thank you very much.

**The Chair:** Mr Huget, then perhaps Mr Johnson.

**Mr Huget:** Thank you very much, Mr Brooks, for your presentation. We have had presenters come before the committee who have been relatively adamant that we cannot meet the needs for power, particularly the industrial needs, without these large megaprojects. I would like to know your views on that. I would like to know how you would see us being able to meet the demand.

**Mr Brooks:** Pricing is a really powerful tool. If there is anything like a shortage of power in this province, prices should be allowed to rise. Then an awful lot more power becomes available from an awful lot more sources, and more conservation becomes available too. We have seen that happen last year. Ontario Hydro raised the rates that it paid our sector by a significant chunk last January, and the amount of power available from our sector went up geometrically.

Our people have submitted proposals for over 8,000 megawatts of power to Ontario Hydro. They are not all going to get built and they are not all economic at today's prices, but there is no shortage of potential resources for generating power, should they be necessary. Prices would undoubtedly move that process along, as they already have. The real forces at work here have to do, really, with Ontario Hydro finding its own costs are higher than anticipated, prices going up a little bit, and all of a sudden a whole bunch more conservation and independent power become available.

**Mr Huget:** Thank you, Mr Brooks. I will turn it over to Mr Johnson.

**Mr Johnson:** Did I have a question? Thank you, Mr Chair; indeed I do have a question.

You said recently that the cost paid to the independent power producers has been increased. I find this interesting and probably very important, because I know that down in my constituency of Prince Edward-Lennox-South Hastings there are some independent power producers. One of the problems that has existed is that they previously did not feel they were being paid enough to make it worth their while. I think it is an important statement that you have made. Do you think a moderate increase would bring—although it has already been said that the new supply-demand indicates that a lot of power is going to come from NUGs. I guess the price must be sufficient to encourage

people to do that now, but do you see any problems with that in the future?

**Mr Brooks:** Prices are complicated because we usually end up talking about an average price when really we should be paying a little bit more for preferable technology. Solar technology, for example, should probably get paid a little more because it does not put as much junk in the atmosphere, etc. Hydro has a rate structure which attempts to recognize that but probably does not go far enough. It is my job to say that we should be paid more; that goes without saying. But let's just leave it that last January, when rates were raised about 15% to 20% depending on the category, an awful lot of power became available, and relatively environmentally preferable power became available at below Ontario Hydro's own estimates of its avoided cost. We are not asking for subsidies; we are asking to be paid Ontario Hydro's avoided cost, which is what it thinks it should be paying us.

**The Chair:** Mr Brooks, thank you very much for coming here this afternoon, for your comments and for yet another perspective on the issue before the committee in the Legislature. We appreciate it.

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#### NUCLEAR AWARENESS PROJECT

**The Chair:** The next participant is David Martin, speaking on behalf of the Nuclear Awareness Project. Mr Martin has filed, and it is now an exhibit and part of the record, a very comprehensive and lengthy submission. It is completed by an appendix, a summary of recommendations and comments which is particularly useful. Mr Martin, as you have noted because you have been monitoring these hearings for a couple of days now, among the more valuable parts of the submission is the question and answer, the dialogue. Make sure we have time for that, please.

**Mr Martin:** So that means I cannot read this?

**The Chair:** You can do anything you want in the 20 minutes we have.

**Mr Martin:** No, I have no intention of reading, but good afternoon. My name is Dave Martin. I am on the steering committee of Nuclear Awareness Project. Nuclear Awareness Project is a member of the Coalition of Environmental Groups for a Sustainable Energy Future, which is a major intervenor in the current environmental assessment on Ontario Hydro's supply-demand plan. We have two affiliated groups: Durham Nuclear Awareness, from whom you are going to be hearing next, and Bruce Nuclear Awareness, from whom you will be hearing next week.

I would like to talk first about the question of accountability in Bill 118. We have seen the increase of the board size and the inclusion of the deputy minister in the bill. Nuclear Awareness Project sees these as positive steps. We also support the policy directive amendments. We see the changes as a modest strengthening of the act. For example, the directors will now be acting "promptly and efficiently" instead of using their "best efforts," as it was phrased in the previous version—the existing act, I should say.

We believe the reaction to the policy directive amendments has been out of proportion to their real impact on

the act. Past governments have given policy direction to Ontario Hydro, and my paper cites two prominent examples that have been of particular concern to those of us dealing with nuclear issues. The first was the long-term uranium contracts that were signed in 1978 at the direction of the government of former Premier Bill Davis. Over the last decade, those contracts have cost Ontario electrical ratepayers in excess of \$1.2 billion because Saskatchewan uranium would have been much cheaper. If those contracts had been renewed last year, excess costs over the next decade would have been another \$1 billion.

The second example cited in our brief was a decision in 1990 by the Liberal government of David Peterson to increase the Ontario Hydro subsidy of Atomic Energy of Canada Ltd, whom you heard from earlier, by \$39 million. This brought the subsidy from Hydro up from \$48 million to \$87 million, and that is per year. This does not even include the engineering business that Ontario Hydro gives to AECL. That is up around \$40 million per year.

In the lead-up to the September election in 1990, Mr Conway boasted—I am sorry he is not here now—that he had “worked hard to convince Ontario Hydro to spend more than \$30 million in support of Atomic Energy of Canada at Chalk River.” And, of course, Chalk River is in Mr Conway’s riding.

My point here is that governments have in the past and will in the future continue to give direction to Ontario Hydro. But I think what has happened with Bill 118 is that we have seen a definition of the right of the government to give direction. For the first time, we will have clearly defined responsibility. This is something that is going to work two ways. Not only will the accountability of Ontario Hydro be enhanced, but the government itself will therefore become more accountable.

These changes have the effect of taking policy directives out of the back rooms where they have resided with past governments. The one change we would like to see in the bill is to include public disclosure of policy directives as part of the whole package. The government has noted that it does not intend to extend the powers and duties of Ontario Hydro beyond the act by means of policy directives and that Bill 118 will be changed to clarify this. Nuclear Awareness Project supports such a change to the bill.

I should note that we see all of these accountability measures as positive steps, but we do not believe they go far enough. We believe that Hydro should be subject to ongoing regulation under the auspices of either the Ontario Energy Board or some new agency, not just on rates but on system expansion and on borrowing as well. We would like to know when we can expect to see a bill to amend the Ontario Energy Board Act. I would note that in the last two days, I have heard groups as diverse not only as ourselves, but as Pickering Hydro and the Independent Power Producers’ Society of Ontario suggest just such a bill.

Next, on fuel-switching amendments, even those of you who still blindly support nuclear expansion in this province should be getting the message by now that electric heating is a major disaster for all those concerned. Nuclear Awareness Project strongly supports the proposed

fuel-switching amendments. You have heard from Passmore Associates in its brief on behalf of the Coalition of Environmental Groups that if half of the electrically heated homes in Ontario had instead used natural gas and half had used oil, we would have saved almost \$4 billion in 1991 dollars since 1975.

The environmental benefits, you have heard, are just as dramatic. I will not go into the figures. You have received them before. Suffice it to say, we are talking major reductions of carbon dioxide, we are talking major reductions of sulphur dioxide, and we are talking major reductions of nitrogen oxides.

Something a little more specific: Paragraph 3 in the amended section of 56a(3) of the act—and that is section 5 of Bill 118—should be changed so that switching is clearly not limited just to space heating. Switching of water heating and other applications such as cooking and clothes drying should be examined.

Just a word on implementation of fuel switching. I realize this is not part of the bill, but I think it is important to further this debate. The existence of electric heating is itself the result of self-interested promotion by Ontario Hydro and represents a failure of the market system. Electric heating has to be eliminated therefore by an aggressive program of fuel switching, possibly combined with further legislation by the government.

Nuclear Awareness Project recommends that Ontario Hydro institute a program that will cover 100% of the cost of fuel switching, and we favour a direct-grant program, since it is likely to have greater market penetration and be implemented faster and at less cost to all ratepayers.

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Ontario Hydro and the government will also have to look at innovative reforms to such things as rate structures. We will have to look at differential hookup fees. A stiff hookup fee for homes with electric space and/or water heating would send the proper market signal to developers, builders and prospective home owners.

We believe that Ontario Hydro must achieve the maximum possible conversion from electric heating to alternative fuels. This means switching not just to natural gas, as we have heard Ontario Hydro talking about, but also to oil, propane, wood and solar. However, fossil fuels should be seen as transitional fuels.

There are several important considerations here. First, Ontario Hydro and the gas utilities should be taking advantage of the opportunity in switching to audit and if necessary improve the thermal envelopes of the residences being switched. Second, renewable energy systems based on wood and solar power should be given special encouragement. Third, residences should be switched only to the most efficient state-of-the-art heating systems. Thank you for your consideration, and I look forward to your questions.

**Mr Jordan:** I find your presentation interesting and certainly detailed. The Ontario Energy Board: Do you care to comment on its power, what its function is and what you think it should be?

**Mr Martin:** Very briefly, because I do not think it is relevant particularly to the bill that is in front of us, but

there are a number of ways of achieving accountability. We support the bill as one method of increasing Hydro's accountability, but regulation by the board or a similar agency is also necessary. I am disappointed that you did not ask me about the lightbulbs.

**The Chair:** I think he will, Mr Martin.

**Mr Jordan:** I will certainly accommodate you. Do you feel that the utilities should have been consulted, when it said on the package that they had been?

**Mr Martin:** The municipal utilities?

**Mr Jordan:** It said so on the package received by the customer.

**Mr Martin:** I think, given the fact that the program resulted in substantial electricity savings at a good price for consumers, that it was to the advantage of the municipal utilities.

**Mr Jordan:** I understood the projection was \$7 million against \$5 million.

**Mr Martin:** In fact, the program was projected to save six megawatts of power. That amounts to about \$1,160 per kilowatt as compared to about \$3,500 per kilowatt for Darlington, so it is very cost-effective program. The reason many environmental groups, including ourselves, objected to it was because it could have been done better. There could have been even more savings if Ontario Hydro had, for instance, used compact fluorescent lamps.

**Mr Huget:** Thank you very much for a very interesting presentation and a great deal of detail. With reference to Mr Jordan's lightbulbs, I guess what I am interested in is, how do we get them out of the bag? We cannot seem to get Mr Jordan's lightbulbs out of the bag so that we can use them. But there is a certain amount of funds, I think some \$600 million, that Ontario Hydro has set aside for energy conservation.

**The Chair:** One moment, Mr Huget. Mr Jordan has assured me that he takes these home at night. They are only here for demonstration purposes. That is why they have filed them as an exhibit.

**Mr Jordan:** Perhaps the bulbs are not only bringing the project in front of this committee as a conservation program, but also the fact that in my riding, I know, that is exactly where a lot of them still are, unfortunately or fortunately.

**Mr Huget:** My question is trying to address that point. Should there be, first of all, some of that funding used for public education, energy efficiency and conservation? Do you think it will be effective and what types of educational things should we be doing?

**Mr Martin:** I have no objection to educational programs but I think we have to move beyond just information. We have to move beyond just education. To a certain extent that has happened in the past. What we need is an abundance of proactive programs to go out there and achieve conservation. That means investing money and there should be no hesitancy about investing that money.

We have heard talk of subsidies for fuel switching. Well, it is not a subsidy if it is going to save us money compared to the alternative, which is building more supply.

What we are talking about is cost-effective investment here, and that it needs to happen in a big way, bigger even than Hydro has recently proposed in its amendment to the demand-supply plan.

**Mr Wood:** Just briefly, on page 8 and again on page 32, I notice you have referred to Elliot Lake policy directives and the fact that the policy directives given in 1977 were a \$1-billion ripoff for Elliot Lake. We have had presentations made that some of that money directed that way was in some way an obligation of the ratepayers of the province compared with social development. I wonder if you would comment on that. I see there is quite a writeup on those two pages.

**Mr Martin:** As I said in the brief, it is entirely reasonable to think that Ontario Hydro has corporate responsibility to look after the mess that was left in Elliot Lake. I have no problem with that. However, I think a number of concerns were expressed about how that money was spent and that perhaps it could have been invested more wisely in projects that would have resulted in sustainable development.

The point generally of my raising the whole settlement in Elliot Lake was to indicate that in fact there have been policy directives in the past and that there is no need to shy away from taking that kind of political position, if you will, of direction from the government.

**Mr Conway:** One of the issues that has been presented to the committee in recent days, and it is certainly one that has been increasingly debated around the province, is how to control this giant technological corporation that is Hydro. I am just wondering, and I am sorry I missed the bulk of your presentation, but do you have a view as to whether it is possible to exact reasonable accountability given the nature of the beast, or whether the time perhaps has come to fundamentally restructure Hydro and privatize significant aspects of its traditional mandate.

I raise that question particularly because of the non-utility generation issues that are developing: more reliance on the NUG, transmission problems that have been mentioned by some of the witnesses earlier this afternoon. Do you have a view on that?

**Mr Martin:** We do, certainly. On the question of privatization, the Nuclear Awareness Project does not support the privatization of Ontario Hydro. On the other hand, we do support increased utilization of independent power, of non-utility generation.

It has been pointed out, I think by several people, that you could not give away Ontario Hydro's nuclear power plants, let alone sell them. But on the more broad question of accountability, I think the most immediate need is for ongoing regulation of Hydro, not just a review of rates as presently happens at the Ontario Energy Board but real regulation, real regulatory power on rates and on expansion plans. I for one certainly hope the opposition will take up that challenge and make sure that happens.

**Mr Johnson:** This past summer I was in Winnipeg with the standing committee on public accounts and was talking to some economists. I suggested that often on the balance sheet—you alluded to this already; that is why I am posing this question—Ontario Hydro states that its nuclear

generating plants are assets. I would contend they are liabilities. Would you agree?

**Mr Martin:** The reality and the technical truth may be two different things. They are certainly counted as assets, and that is the reason Ontario Hydro can claim to be the largest corporation in the country, bar none, by assets. But yes, I agree with the spirit of your question in the sense that these are assets that are truly worthless and becoming increasingly worthless, as we have seen with the decline in performance capacity from 80% at their design level to a present average of roughly 60%. That is a big decline, and it is not clear to us that it is going to improve with rehabilitation and retubing. In fact, looking at the retubing of Pickering A which has taken place, the evidence seems now to be that the performance is not improving despite the money invested there. Therefore, we suspect that the major dollars Ontario Hydro is still proposing to invest in rehabilitation and retubing is money very poorly spent and that it would be much wiser to invest that money in conservation programs and non-utility generation.

**The Chair:** Mr Martin, thank you very much for coming here this afternoon and for your obvious interest, demonstrated by your attendance here on a number of occasions. We appreciate your involvement and we appreciate the work you and your organization put into the submission and the candid responses to the questions put to you.

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#### DURHAM NUCLEAR AWARENESS

**The Chair:** The final participant is Durham Nuclear Awareness, Ms Irene Kock. Please tell us what you will. You have 20 minutes. Try to keep your initial comments to less than 10 minutes so we can handle the type of exchanges we have been listening to a bit earlier.

**Ms Kock:** Thank you for the opportunity to speak today. My name is Irene Kock and I work with Durham Nuclear Awareness. We are based in Oshawa and we are a citizens' group founded in 1986. We are concerned about nuclear issues in Durham region, and that is primarily why I have come today, to express why we support Bill 118. Our office is actually 10 kilometres from Darlington and 20 kilometres from Pickering. We are right between the two. I will end my presentation with more details about our particular concerns with Ontario Hydro's activities in Durham region.

We support the bill because we feel it is about time Ontario Hydro joined the trend among utilities where a priority is given to providing customers with energy services, not just electricity, but by recommending and promoting the best-suited fuels and the best available technology for the task.

In fact this bill could go further, and we hope it will. Electric heat is an environmental and economic loser. Our electricity applications in the residential sector, such as hot water heating and appliances, should be switched as well. We also feel that commercial and industrial applications should be addressed, but we do feel that looking at electric space heating is a good start.

Getting Ontario off electric heat will reduce acid gas and greenhouse gas emissions, as you have heard from many presenters, I am sure, since most of the demand is met by coal generating stations. Switching to direct heating with fossil fuels, even including oil where natural gas is unavailable, is less environmentally damaging than our current practices. Ideally, options like solar and wood heating should be included in these programs as well, with an added incentive, since these are renewable.

Because Ontario Hydro and local utilities across the province have been promoting electric heating, the overall demand for electricity increased more than it might have otherwise. This has been used to justify expansion of nuclear generating capability, and in particular as justification for the completion of Darlington A.

Durham Nuclear Awareness does not favour any further expansion of nuclear power in Ontario. The problems involved with nuclear power are too great to justify relying on the nuclear option any more than we already have to. The passage of this bill will greatly reduce electricity demand and help make sure that electricity megaprojects like the proposed Darlington B will be completely unnecessary.

It has been suggested by others appearing before this committee that fuel switching will dramatically increase electricity rates. The Municipal Electric Association has noted that a reduction in electricity sales will force rates up because of the fixed costs that must be paid regardless of the amount of electricity sold. In fact in the Oshawa area where our office is located, the fixed costs are only about 10% of the local rate. This means that electricity used would have to be reduced by more than 50% before electricity rates went up substantially, for example by the amount of the current rate increase, which is 11.8%. So we do not concur that local rates will be substantially affected by this. The flip side of this, of course, is that in the long run the overall electricity bills will be reduced, so ratepayers would end up paying less anyway, and particularly if our current rate structure were changed as well.

Durham Nuclear Awareness would like to see a comprehensive building retrofit program carried out in conjunction with fuel switching to ensure that heat loss is minimized. Some conservation and fuel switching has occurred without incentives where people are keen to make wise economic and environmental decisions, but we feel very strongly that incentives are required to achieve the full potential in savings because not everybody is so keen or understands the parameters around these decisions as well.

Ontario Hydro should cover up front all costs that are associated with getting rid of electric heat. It is far cheaper than adding new generating capacity. We only have to look at Darlington, which is now probably above \$13 billion in costs, to know it is smarter to be doing it this way. The potential for new employment is enormous, and a dedicated program should include assistance in training people to carry out the retrofitting, which would help to boost local economies across Ontario.

Durham Nuclear Awareness supports the bill's initiatives to increase accountability at Ontario Hydro. However, the Ontario Energy Board or a similar agency should

be given the mandate to review and provide approval for Hydro's expansion plans and rates. This would provide a genuine opportunity for public involvement and control of Hydro's activities.

Ontario Hydro has a huge impact on communities which house its facilities, and there are currently few effective means of having input into Hydro's plans and decisions. Durham Nuclear Awareness has many concerns about the impact of Hydro's nuclear stations in Durham region. There is evidence, for example, that the routine emissions from the nuclear stations are having a direct impact on the rate of birth defects and childhood cancer in our communities. The Atomic Energy Control Board is still investigating this situation. Durham Nuclear Awareness has been involved with the committee of Durham region, set up by the health and social services committee to investigate ways of improving health monitoring in our communities in relation to the radioactive pollution we are exposed to daily.

Durham Nuclear Awareness is also very involved in ongoing efforts to have our emergency plans improved. The current nuclear emergency plans are not adequate, but there is a great deal of resistance in our communities to making the necessary improvements because of a fear the public will become alarmed and local property values will drop. There is a great deal of education that needs to be done continuously in our community. Some of the main issues we work on in this area are trying to get the size of the emergency evacuation zones expanded, trying to get alarm systems put in so that people are alerted immediately, and also the distribution of iodine tablets so that people will be somewhat protected if they do have to be exposed to radiation. We meet a great deal of resistance to these changes in our community.

Serious accidents are a regular occurrence at Pickering and Darlington. Over the past few years, there have been hundreds of accidents. Routine maintenance at the facilities is substandard, and we know from the Atomic Energy Control Board reports that this is contributing quite a bit to risks of accidents. Some of the accidents we have had in recent years include serious loss of coolant and a fuel failure at Pickering in 1988, which very few people heard about. It was never really made public.

These are just a few of the reasons why Durham Nuclear Awareness wants nuclear power phased out and environmentally responsible alternatives phased in. Bill 118 will reduce electricity demand and help make nuclear stations unnecessary, while at the same time reducing our short-term reliance on coal-fired generating stations. Thanks very much for your attention.

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**Mr Huget:** Thank you very much for taking the time and providing a very good presentation. I am interested in two things, really. First, you said very early on in your presentation that Bill 118 does not go far enough and you hoped some day it will. I would be interested in what suggestions you would have around that issue.

Second, if you could, I would like you to elaborate a little bit about the concerns of the community you live in that hosts one of these megaprojects.

**Ms Kock:** In a specific way in terms of expanding the bill, we do feel the Ontario Energy Board or a kind of parallel organization should be mandated to have more control over Hydro's decisions and provide a forum for public review of those decisions.

I will give you one example of where we faced an inability to have any impact, and that was in the decision to transport tritiated heavy water between Pickering and Darlington, where it is purified. We tried in a number of ways to express a concern about the hazard with this process and how it may not be necessary if a separate processing facility where built at Pickering, that we could actually avoid the entire risk of transporting this radioactive water. We came up against stone walls every which way we turned. We really could have no impact, and we feel that if decisions like this that are in effect a planning part of Hydro's operations were put before a forum where we could have advance notice and be part of the discussion and the decision-making, the best possible decision could have come about, rather than just have Hydro off in a back room, decide what it is going to do and do it behind our backs without even telling us what it is up to. We have Highway 401 running directly through Durham region from one end to the other. Pickering is at one side; Darlington is at the other. These trucks now run once a day, every day of the year, with a huge load of radioactive water. That is just one example.

Just to follow through with the second part of your question, I think the health concerns are really the biggest thing right now in Durham region. Even though the risk of a very serious accident worries many people, I think the day-to-day radioactive pollution is a real concern.

One of the areas the provincial government actually might have some impact in this is through extending the municipal-industrial strategy for abatement program, for example, which only looks at non-radioactive pollutants. If radiation were included within the MISA parameters, we might hope that tritium emissions might be lowered, for example. Right now, all radioactive effluents are exempt from the MISA program. They are controlled through limits set by the Atomic Energy Control Board, but we feel that those limits are way too high and that provincial standards would likely be much tighter. We feel that radioactive pollution should be dealt with just the same way other toxic pollutants are dealt with, and they are not being dealt with very well right now.

**Mr Conway:** Thank you for your presentation. We once had a Minister of Energy here about 14 years ago who said the principal problem with Ontario Hydro was its size and its scope. He used the example, from his high perch as minister of the crown responsible to some extent for Hydro, "The difficulty with Hydro is that you if you called Hydro and asked them to change a lightbulb in your house, their response would be"—to quote the minister of the day—"to build you a new house." That may have been overblown, but I listened to you, and you, like a lot of

people I know, have had a very unhappy relationship with this gargantuan corporation.

My question continues to be, and I would like your response to this: How do we sensitize this beast? It is so big and so technological. I am very sympathetic to the citizens, such as yourself, trying to plug in and exact some meaningful dialogue and some accountability. How do we do that? My friend from Sarnia was asking you to sort of extrapolate Bill 118 into a more ideal future, because you said it is only a first step. What would harness this tiger? What would make ordinary people living in Tyrone think that perhaps they could beat this city hall?

**Ms Kock:** I can give you one example where I have actually had some very effective dialogue with people in Ontario Hydro, and that has been through our work with the committee investigating health monitoring in Durham region. Part of that committee consisted of membership from the health physics department at Ontario Hydro.

During the one year we did meet as a group, we proceeded to learn a lot about each others' positions and worked to a consensus report that had 11 recommendations in it on how to improve health monitoring in Durham region. One of the recommendations that is coming forward now, I think the first one to be implemented, is the publishing of a radiation index in the local papers that expresses how much radioactive pollution has been emitted over a previous recent time period.

The membership of this committee, as I said, included people from Ontario Hydro. It included two delegates from our organization and the medical officer of health, so I think breaking things down into smaller community-based decentralized working groups may help where there are specific problems that can be dealt with that way.

I also think, relating it back to the effort to get people off electric heat, that if working groups were set up regionally to do that and allowed people to work on implementing this within their communities in what they feel their own best method available would be, it would help bring Hydro down to earth in a sense. The personal contact helps a lot.

**Mr Conway:** We had a general manager of a utility in northern Ontario last week suggest that perhaps it would be a good thing for local electrical utilities to broaden their mandate and take over, for example, natural gas outlets. Would that be a good thing?

**Ms Kock:** I am afraid I cannot comment because I do not know enough about the local utilities' current mandates and their mechanisms to know whether it would make sense or not.

**Mr Jordan:** Thank you very much for your presentation. Are you an Ontario Hydro customer or do you have a local utility?

**Ms Kock:** We have a local utility.

**Mr Jordan:** Do you know the people there? Have you been to the office?

**Ms Kock:** I have dropped in a few times but I do not know the people very well, no. I have not had much contact.

**Mr Jordan:** My friend from Renfrew North was indicating that Hydro is some type of monster. To me it is just a figment of his imagination really, because right in your own home town you have an office with someone who is, in my experience, very well informed and usually well trained for customer service, to give information and so on. Do you not think it would be a good idea to make use of that office and go there and express your concerns and perhaps even request more in the form of education to you as a customer on the merits of nuclear energy and so on? That person there has nothing to gain financially by not giving you the information, if you know what I mean. He or she is there to provide a service, and my experience has been very good in that the people in these field offices or utility offices, if they do not have it there, certainly have access to any information you might request.

I just feel even this committee is very uninformed on the product, on the nature of the product, because we just call it electricity, but it is a very unique form of energy. It is here, but because we do not see it, it is difficult to understand.

Do you think that creating a better communication with your local utility would sort of dispel this fear of some monster that is out of control?

**Ms Kock:** There is only a limited role for what education the local utility offices can do. They simply do not have, considering their other concerns in terms of local distribution in supplying their local customers, the time or budget to deal with the more substantial issues like nuclear safety.

On the other hand, we already know where to get the information about our concerns and how to best inform ourselves. We make very good use of the Ontario Hydro public reference centre, and there are within Durham region two public information centres at the nuclear stations themselves that put forward the position of nuclear expansion in our community, so I would tend to disagree that there is much of a role for the local utility in public education, other than in efficiency measures, perhaps. But on the more substantial issues, I think that is a little out of their league.

**The Chair:** Thank you, Ms Kock. We appreciate you and so many others taking time to come from your homes and communities to Queen's Park and address this issue with your concerns and insights. Those are valuable insights and it has been a very productive conversation. We appreciate it. We thank you. Have a safe trip back home.

**Ms Kock:** Thanks very much. I appreciate it.

**The Chair:** We will resume tomorrow at 10 am whether or not all caucuses are represented, because there are participants scheduled to begin their presentations at 10 am. Not hearing any opposition to that, there is consensus and consent to that. We are adjourned, then, until 10 am tomorrow.

The committee adjourned at 1651.

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## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

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First Intercession, 35th Parliament

## Assemblée législative de l'Ontario

Première intercession, 35<sup>e</sup> législature

## Official Report of Debates (Hansard)

Wednesday 22 January 1992

## Journal des débats (Hansard)

Le mercredi 22 janvier 1992

### Standing committee on resources development

Power Corporation  
Amendment Act, 1991

### Comité permanent du développement des ressources

Loi de 1991 modifiant  
la Loi sur la Société de l'électricité



Chair: Peter Kormos  
Clerk: Harold Brown

Président : Peter Kormos  
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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday 22 January 1992

The committee met at 1000 in committee room 2.

### POWER CORPORATION AMENDMENT ACT, 1991 LOI DE 1991 MODIFIANT LA LOI SUR LA SOCIÉTÉ DE L'ÉLECTRICITÉ

Resuming consideration of Bill 118, An Act to amend the Power Corporation Act / Projet de loi 118, Loi modifiant la Loi sur la Société de l'électricité.

#### CANADIAN NUCLEAR ASSOCIATION

**The Chair:** Good morning. It is 10 o'clock, the scheduled time for the first presentation. I see that Mr Wood, Mr Jordan and Mr Cleary are here. The representatives of the Canadian Nuclear Association came here expecting to make their presentation at 10 am, and they will. Gentlemen, please tell us who you are and proceed with your comments. We have 20 minutes. Please try to leave at least the last 10 minutes for dialogue, questions and general conversation.

**Hon Mr Reid:** My name is John Reid. I am the president of the Canadian Nuclear Association. With me is John Marchildon. He is the business manager and secretary-treasurer for the Ontario Allied Construction Trades Council. They represent 65% of all unionized construction building trades on Ontario Hydro projects. He also sits on the board of directors of the CNA as a member and on the executive committee of the CNA as a member. The brief was to be delivered by our chairman, David Anderson, but we received word that he was indisposed and in and out of hospital, so I am going to read his brief on his behalf.

The Canadian Nuclear Association's membership includes 12 employee and trade associations, 18 consulting firms, six major utilities, 44 manufacturers, three banks and insurance companies, six branches of federal and provincial governments, 13 educational and research institutions and 11 uranium mining companies.

We are here today to tell the legislative committee that we believe Bill 118 should be withdrawn. In our view, it is legislation containing flaws so deep as to make amendments futile.

The bill contains a number of changes to the Power Corporation Act. These changes will impede the ability of Ontario Hydro to perform its function as a utility mandated to provide an essential need. Ontario Hydro's mandate specifies that it is to provide power to all customers at cost. This bill as written, however, constitutes a direct threat to the principle of separating short-term political interests from the responsibility to be accountable to its customers, the industries, businesses and residents of Ontario.

This morning I want to discuss just one of the changes introduced by the new bill which would have negative effects on both the industry I represent and the electricity consumers of Ontario. The bill states that the board of

directors of Ontario Hydro shall implement without question the policy directives of the government. Furthermore, the directors would be individually and collectively absolved from any of the consequences of any such directives as may be issued to them.

Please note the language used in section 2 of Bill 118. Subsection 9a(3) states that, "The directors shall ensure that policy directives are implemented promptly and efficiently." To me, this says there will be no discussion or debate of the government's orders. It is generally true that political decisions and engineering decisions do not go hand in hand. Through this clause we can see a clear attempt to override engineering decisions through political interference.

I would like you to think about that for just a moment. What we are witnessing here is the death of Ontario Hydro as a crown corporation and its rebirth as a department of the provincial government. No longer will Ontario Hydro be responsible for its activities. All responsibility will derive from government directives.

This is simply too great a responsibility for any government to assume without potentially severe repercussions. In justification for this inclusion in the act, we are told that the purpose of this clause is to ensure the greater accountability of Ontario Hydro to the government and thus to the citizens of Ontario.

While the current government may have this intention, it is creating an instrument with enormous potential for abuse. Already in the case of Elliot Lake and the Spruce Falls paper mill we have witnessed Ontario Hydro being used to fulfil policy objectives unrelated to the best interests of the power consumers of Ontario.

Moreover, by absolving Ontario Hydro directors of responsibility for the execution of cabinet directives this bill completes the transformation of Ontario Hydro from a crown corporation into a government department. By making Ontario Hydro the appendage of the government, any capacity for responsible accountability for long-term planning will be lost.

In fact, if the directors of Ontario Hydro's board are absolved of any responsibility, there is little need for a board of directors at all. In any corporation, be it crown- or investor-owned, the board of directors both individually and collectively have a responsibility to their stockholders. This means the directors are liable for any action taken on behalf of the corporation or any action taken by their predecessors acting as directors. By arrogating responsibility to cabinet, public accountability of Ontario Hydro is reduced, as cabinet ministers are protected by privilege.

The subjugation of Ontario Hydro's board of directors will undercut the utility's ability to conduct long-range planning that is so essential to keeping electrical rate increases low in Ontario. Planning horizons will shrink to a

four-year electoral cycle, which is completely inadequate to the planning and operation of a modern bulk electrical system.

**Mr Marchildon:** It was true in the past and it is still true today that in general the most cost-effective form of electrical generation is a large generating station. Large stations realize economies of scale.

This was effectively demonstrated earlier this century with the construction of the large Sir Adam Beck hydraulic plants at Niagara Falls. These stations produced power at prices that compelled the dismantling of almost 600 small hydro dams. These small dams could not even be maintained at a cost competitive with Ontario Hydro's prices from large-scale power generation. Planning large stations effectively, however, requires the ability to plan far into the future, to anticipate the needs not just of ourselves but of our children and future Ontarians.

In this light nuclear energy, as typified by the Candu nuclear system, has proven to be the world's most effective and reliable thermal technology. In the early years of nuclear power it was hoped that nuclear energy would some day be cost-competitive with coal-fired generation. Today the Candu has not only become the most cost-competitive with coal; it has saved Ontario customers billions of dollars.

It should be noted that despite the cost overruns experienced with Darlington, electricity generated at that facility costing 4 cents per kilowatt-hour still retains a 15% price advantage over the cost equivalent of coal-fired generation, which costs 4.5 cents per kilowatt-hour. These economic advantages are in addition to the enormous environmental benefits of not producing the millions of tons of acid gases that would have been produced if Ontario had adopted a coal-fired thermal system.

The reliability of Candu has been well documented. It has consistently outperformed any other nuclear technology. While some in Ontario complain that nuclear performance has fallen in recent years, the truth is that the performance of our nuclear capacity on a lifetime basis surpasses that of all other nuclear and fossil-fired thermal technologies.

Moreover, Candu has demonstrated that even very small utilities can enjoy the cost efficiencies of nuclear energy. For a number of years the world's number one performing reactor has been Point Lepreau, owned and operated by the New Brunswick Electric Power Commission. Despite the fact that Point Lepreau is nearly 10 years old, making it older than any of the units at either Pickering B or Bruce B, this New Brunswick station continues to enjoy annual capacity factors in excess of 95%. It also has a lifetime reliability record unmatched by any nuclear or fossil fuel unit anywhere in the world.

**Hon Mr Reid:** By transforming Ontario Hydro into an internal branch of the government, the utility will be subject to the political whims of the present and lose its capacity to engage in responsible planning for the future. The provision of a reliable and competitively priced supply of electricity is an essential need in a modern industrial society.

The people responsible for the provision of this need should not be unaccountable to the government, but that accountability is already guaranteed by the need for the government of the day to approve all borrowings for the construction of equipment and the necessary environmental approvals. The proposed bill, which would allow the government of the day, of whatever stripe, to override the judgement of responsible planning experts, is not, in our judgement, in the best interests of future electricity users in Ontario.

Bill 118 negates continuity in the planning for the maintenance of electricity supply. It guarantees partisan interference in the planning process and thus is ill-advised. Planning will be based on a four-year electoral cycle rather than the much longer time frames required for the efficient introduction of new, highly economical additions of large generating units.

For the reasons of potential for political interference in the proper planning and the supply of electricity, the Canadian Nuclear Association is calling for the abandonment of Bill 118 by the Ontario provincial government. Thank you, Mr Chairman.

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**Mr McGuinty:** Thank you, gentlemen, for appearing before us today. One of the things I think many of us have come to learn is that we have a problem in that we have been unable of late to ensure we have some kind of mechanism in place that will ensure that the interests of Hydro's ratepayers are always respected. We have had ample evidence in the past of Hydro's difficulties in ensuring that those interests are protected, and now we have the deliberate effort on the part of the government to weigh in and take certain steps, apparently under the guise of increasing accountability.

My concern is that this government will be placed in a position of conflict and that from time to time the interests of ratepayers will not be the same as those of taxpayers. I think we witnessed an example of that when the government directed Hydro to do what it did at Elliot Lake and Kapuskasing. I am not comforted by this government weighing in as it proposes to do under Bill 118. I am not comforted by the status quo with respect to Hydro looking out for my interests as a ratepayer. What alternative is there?

**Hon Mr Reid:** We have always thought that the idea of Ontario Hydro as a crown corporation independent of government, with the government having the power to appoint some members of the board of directors and other interests in the province having the ability to appoint other parts of the board of directors, would provide a greater stability in terms of Ontario Hydro's direction and control. We have never suggested that you would do away with the provincial government's power to insist on proper environmental hearings, nor its ability to control to some extent the borrowings of Ontario Hydro. I think the problem is to find that proper relationship between Ontario Hydro and the government so that we can have the long-term planning that is required and do not get the very sudden flip-flops that

have taken place in terms of Ontario Hydro's long-term planning horizons.

We would like to see Ontario Hydro maintained as a crown corporation. We would like to see it maintained at an arm's-length distance from the government. We would like to see it have the ability to continue to do its long-term planning. By and large, the Ontario government should have some say on the overall financial markets, as it has had before this bill. But we do not like the current administration, which in effect makes Ontario Hydro part of a line department of government.

**Mr McGuinty:** I understand what you are saying, but that does not lend much comfort to me as a ratepayer. I am concerned, for instance, with some of the directions that Hydro has taken in the past. I am concerned with the number of people they have on staff. I am concerned with the salaries those people are receiving. I am concerned with the size of the utility.

**The Chair:** Having said that, Mr McGuinty, I am concerned, as I must be, about the time frames.

**Mr Jordan:** Thank you, gentlemen, for your presentation. I would like to follow up on your statement that you would like to see Bill 118 withdrawn because of the number of flaws in it and because of the changes it will make, not only for this government but which could follow with future governments, to the operation of Ontario Hydro. I would like to have your comments on why this government, using policy statements to the board—picturing the board it has in place or is planning to put in place and the chairman, surely any reasonable request through a policy statement would be followed by this chairman and board without Bill 118.

**Hon Mr Reid:** I think one of the problems we have is that the bill states the board of directors has no choice. It must implement as effectively as possible any statement it gets from the government, so there is no debate.

**Mr Jordan:** But do you need that statement?

**Hon Mr Reid:** I do not believe you need it. My own judgement is that there has been ample to-ing and fro-ing on Hydro on innumerable legislative committees holding hearings on Hydro. An outside authority investigates Ontario annually. The Ontario Energy Board issues an annual report on the health of Ontario Hydro. The government does have the ability from time to time to influence the appointment of members to the board of directors, but what we really have is a destruction of a status of a crown corporation; that is, an independent body with an act that it must implement and the aims and objectives embodied in that act, with the government now having the ability to come in and change legislative direction by cabinet or ministerial fiat. As a citizen of Ontario I feel that is a very dangerous principle to have.

**Mr Jordan:** Thank you. Just another quick item. The 450-megawatt Candu—

**Hon Mr Reid:** Candu 3, yes.

**Mr Jordan:** Would you like to comment on that and its use in Ontario?

**Hon Mr Reid:** At present there are three sizes of Candus: the 900 series, the Darlington reactor; the 600 series, the one at Lepreau; and the new one, which is one of the family of advanced reactors in the process of being designed. It is about 80% complete in its design and that 80% has been approved by the Atomic Energy Control Board. It is a smaller reactor and will produce 450 megawatts of power. The idea is that it should be built in a three-year time period. As you know, the large cost of any megaproject, whether energy or whatever it happens to be, is not in terms of money but in the interest that is charged. The practice we have in Ontario is that we do not put any equity into the construction of these processes. We build it with 100% borrowed money and only then do we begin to pay it back.

**The Chair:** Mr Huget, parliamentary assistant to the Minister of Energy.

**Mr Huget:** Thank you very much for your presentation. I just have two or three quick questions.

**The Chair:** You can have as many as you want, Mr Huget, within the time frame.

**Mr Jordan:** He is using your time.

**Mr Huget:** He is using my time. Leo, make a note of that.

If I understand you right, you are saying the government should not interfere with Ontario Hydro at all. I guess my question is whether you are saying the government has no place in environmental regulations, no place in control of nuclear power, no place in giving direction to Ontario Hydro to emphasize the efficiency in conservation.

**Hon Mr Reid:** What I said was that there should be no restriction on the Ontario government's ability to insist on environmental protection; no reduction in their ability to control the overall financing. That is the way things are done now before this bill. Those particulars are already controlled.

It seems to me that the interest we are looking at is the ability to provide energy requirements for industry to go and develop, so we can have jobs in the province of Ontario and make sure energy is provided at the lowest possible price. My view is that if you had the government and Hydro implementing its current legislative mandate, which is power at cost, those would be met. The government under this legislation would be able to change that legislative requirement by Hydro so that Hydro could be mandated to bring in expensive power and increase costs. I do not believe it is necessary to pay more for power than you absolutely have to, but the government would be able to change that regulation, or that piece of law to be more precise.

**Mr Huget:** Following up on Mr McGuinty's concerns, I guess there are some concerns about Hydro itself, its cost-effectiveness and productivity. If we were to say to Ontario Hydro, "Look at your cost-effectiveness; look at your productivity as a corporation; look at a whole bunch of things"—I think Mr McGuinty has referred to them quite legitimately—would that not be a policy directive?

**Hon Mr Reid:** I would say that is already done more than adequately by the annual reports issued by the Ontario Energy Board. If you want to have a pretty good idea of what is happening, you can look at that regulatory authority.

Maybe what is required is not to give the power to the government over Ontario Hydro you are suggesting here, but to put more teeth in the Ontario Energy Board to impose its judgements on Ontario Hydro. They do not have that power right now, but I think that would give everybody in the province much more comfort than having it done by the government of the day.

**Mr Huguet:** Are you convinced it would be done?

**Hon Mr Reid:** I am convinced if you gave the authority to the Ontario Energy Board to compel Ontario Hydro to do certain things, Ontario Hydro would obey the law.

**The Chair:** Gentlemen, on behalf of the committee, I want to thank you sincerely for your interest, obviously, and for taking the time to be here this morning. Mr Reid, Mr Marchildon, you have made a significant contribution to these proceedings. I trust you will keep in touch with members of the committee, be they critic or parliamentary assistant. The clerk will be pleased to keep you advised of any significant matters that arise over the course of these hearings.

**Hon Mr Reid:** Thank you very much, Mr Chairman.

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#### NORTH YORK HYDRO

**The Chair:** The next participant is North York Hydro. On behalf of North York Hydro are three participants: Bob Dyer, who is the chair, Carl Anderson, vice-chair, and Mike Butler. Will you please tell us who is whom and proceed with your comments. We have your written submissions, they are an exhibit and form part of the record. Please highlight them, leaving the second 10 minutes at least for questions and conversation.

**Mr Anderson:** Thank you, Mr Chairman. I am Carl Anderson, vice-chair of North York Hydro, and I will make the presentation. Beside me is Bob Dyer, chairman, and Mike Butler, our assistant general manager.

I do not intend to read our brief. I would like to comment as we go through it. Bob and I have just gone through an election campaign in the fall of this year and three things came out very clearly in that campaign from the people we met and talked to at various all-candidates meetings. One is that they were concerned about reliability of electricity and their hydro. When they turn the switch on, they expect it to stay on. They expect it to be there all the time, they do not like any outages at all. That is their number one concern. Their second concern is rights, and they are willing to pay a bit if they have a bit more for reliability. Third, they were overjoyed that North York Hydro had no debt and wished all government groups were in the same position.

**The Chair:** So do we, sir.

**Mr Anderson:** We have been very fortunate. We have paid for things as we go, and some people say we should not be paying for the future. The people of North York have said, without question, they want this to continue and

to pay as we go, because we do not want to saddle the future with debt. If we have to, fine, but that is different.

**Fuel substitution:** I have an electric furnace because my wife will not have gas in the house, and there are a number of people I know in the same boat. I went to electricity because the government suggested I go off oil, which I had at one time. They paid me to go off oil to go to either gas or electricity, and we chose electricity.

Now somebody is suggesting we pay everybody to go off electricity to gas, and I wonder if five, six, seven years down the road, when we are using up the gas bubble presently available and we have to go further afield to get gas in this country, if we will not be paying somebody to go off gas back to electricity again because we have nuclear power or whatever, or we develop more solar and wind power in this province or throughout the world. If you are going to go that way, ask those people who are going to benefit, the gas suppliers, the oil suppliers and others of this province, to also contribute to those fuel substitution costs.

One of the big problems is that Ontario Hydro talked people into Gold Medallion homes in the past, where you have all electricity. You have baseboard heaters and you have a great problem in getting people to switch off electricity now because you have to put in extensive ductwork which just does not fit into the house very well.

The other thing that is going to happen when you get into those changeovers is that if you go to ductwork you are going to have those people set up to go back to electricity in the summer time for cooling purposes. As you noticed from our paper, we are now a summer-peaking utility, and more and more utilities in this part of the province are becoming summer-peaking utilities. We are going to have a really great problem in air-conditioning in the future in the use of electricity.

**Financing of conservation programs:** We have no doubt that the way to go is energy management programs of various kinds, on which Ontario Hydro has become one of the leaders in the world. One of the areas we think they can definitely improve upon is that they must get the cooperation of the utilities throughout this province to do more.

Right now I think Ontario Hydro has tried to do too much without involving us. We have people in our organization who deal with our customers; we know them best. We know what their needs are and we can handle them best. Many times we get duplications of programs and people. They should be willing to pay us to do more because we can do it better. The number of calls Bob, Mike and I have had over the lightbulb program just boggles my mind, the delivery of them and everything else. You tried to get a mass program that fits all across the province. It just did not work that well.

**Accountability of Ontario Hydro:** I think the brief says just about everything we want to say in this area.

There is another hidden tax, and that is on water rental. Ontario Hydro pays a fair amount of money on water rentals for allowing it to run through a dam. The water is not changed; nothing happens to it. It comes right back a few feet down the river from where it went into the power

station and all it has done is enhance this province by producing cheap electricity. We have some problems with those kinds of taxes and other things that increase the price of electricity. As we say, it has a double effect on our customers because the increased cost causes commercial and industrial customers to increase their costs. You pay it there and you pay it in higher bills at home.

**Future direction:** We said we need more energy management programs and those types of things within the province.

**Board composition:** We do not have too much of a problem with the government giving directions to Ontario Hydro, but the board of Ontario Hydro has the power to make the final decisions. We do not think that is a good thing because you may well know government but you do not know Hydro. The government has the power to appoint consistently people on the Ontario Hydro board.

We have a bit of a problem that at present there is nobody on that board who really understands the utility business in the Metro area and who can speak for about one third of the power users of this province located in Metro. We feel that one of the things the government should do when they are appointing people to boards is to look at different kinds of representation and even greater representation to the utilities. Maybe we will not have the problems we do in the energy management programs we are looking at in the greater participation. I think, unless Bob or Mike has anything to say, that will complete my speech.

**Mr Dyer:** You have basically said it all, Carl.

**The Chair:** Thank you gentlemen. Four minutes per caucus. Mr Jordan, please?

**Mr Jordan:** Thank you, gentlemen, for your presentation and concern over Bill 118. It has been previously stated that if we were to put more teeth into the Ontario Energy Board a lot of these perceived difficulties in the operation of Ontario Hydro could be solved. Would you comment on that?

**Mr Anderson:** Knowing that the Municipal Electric Association makes a fair presentation to the energy board, if the energy board listens to us I think that is a good way to go. One of the things we have suggested in the past is that one of the big problems for Ontario Hydro is debt. We have suggested in the past that they should have increased their rates somewhat to eliminate part of that debt, and our customers believe that. I think if you had gone back to 1950 and added 1% to the hydro bills at that time you would find we would have very little debt in Ontario Hydro and our electricity costs would be down considerably.

If the Ontario Energy Board really wants to put some teeth in I think that is the way to go. At least you have a chance of coming back the next year at them. I am not sure you always have the chance of coming back and getting the government to change in one year.

**Mr Jordan:** The financing of conservation programs, the lightbulbs mailed out to each customer, this \$7-million program states, "Ontario Hydro and your local utility." My experience has been that across the province the utility was never consulted.

1030

**Mr Anderson:** It may have been consulted at some time and the consultation may have been, "We're going to do it and this is what we're going to do and it's a good thing." Do not dump totally on that program, because it certainly made people aware that there is some kind of need. I do not know what it costs to run a campaign to get people's attention to the fact that energy management is important and to get a lot of discussion going, but this surely got going a lot of discussion and a lot of thinking. If nothing else, it was worth \$7 million just to have that happen and to make people aware.

**Mr Jordan:** But not for conservation of energy.

**Mr Anderson:** I do not know how much conservation of energy those particular lightbulbs will do, but it made people aware that it was needed and they got talking about it.

**Mr Huget:** Some day we are going to get those lightbulbs of Leo's out of the bag, I am telling you.

**Mr Anderson:** They may be broken.

**Mr Huget:** All I know is that they will not work in the bag. They are really hard to screw into the fixtures.

**Mr Anderson:** As long as he does not replace the 40-watt bulb with it.

**Mr Jordan:** They are made in Quebec.

**Mr Huget:** Ontario Hydro I guess has set aside a substantial amount of money for energy conservation. I just want to pick up on that point. Do you feel that there should be money spent on consumer awareness and education around energy efficiency and conservation, and do you think it will be effective?

**Mr Anderson:** You are sure talking to the right person, because I have organized a tour of some American utilities by Ontario utility people for the end of March. We are going to a number of places. One of the places we are going to is the Seattle area, where they have an association with Bonneville. Power to customers there is 3.5 cents a kilowatt-hour on average. They are heavily into energy management even at that price of electricity, because they know that more electricity is going to cost a lot more.

We are going down to Pacific Gas and Electric, which is a private company that is spending tons of money on energy management. I suggest to you that when private companies find it is a good way of making money and it is profitable, then it seems to me that this is the way to go. I am a strong supporter of energy management in this province.

**Mr Huget:** Do you feel that what was happening in the past, for example the practice of promoting electricity for space and water heating, was in the best interests of your customers?

**Mr Anderson:** Yes. I think we could have done some other things and we can do some other things. One of the things we have used is load management on our water heaters to help take down the peaks of the load, which helps the Ontario Hydro system. One of the things we should have done was to make sure we had larger tanks so we could control it more and heat them up more for night-time use,

where sometimes, to my understanding, Ontario Hydro had to spill electricity.

**Mr Dyer:** Storage.

**Mr Anderson:** We got into heat storage, a lot more, as they do in Europe, but with the price of electricity it has not paid. We should have encouraged more of that kind of stuff.

**Mr Huget:** How much of your winter peak is space heating?

**Mr Butler:** It would be very little. We have about 15,000 residential all-electric customers out of 125,000 residential customers. I do not have an exact figure, but the heating percentage of our total utility peak I guess would be somewhere in the vicinity of 5%.

**Mr Huget:** Would fuel substitution, for example for space heating and water heating, reduce that peak and therefore reduce your demand on Ontario Hydro?

**Mr Anderson:** Our peak is in the summertime, Mr Huget, so it would not reduce it. I may well increase our summertime peak, because if you get people now with baseboard heating, if they get ducts in they will go to central air-conditioning, which is going to increase our peak. I think the other thing is that a lot of people do not want gas, and you are going to get them.

In the province, I noticed that the number of conversions without any help at all has been doubling each year. I think there were 7,000 customers last year, 3,500 the year before and 1,500 the year before that. In some way those figures stick in my mind. This is going to happen. The economics of heating with electricity is going to change a lot of people without any kind of help.

**The Chair:** Mr Dadamo, quickly.

**Mr Dadamo:** In the past, a lot of people used oil and some switched back to electricity. Are people worried about the reliability of oil and whether the product will be there 20 years from now?

**Mr Anderson:** No. People do not think much beyond two or three years. That is the problem of going to gas today.

**Mr McGuinty:** Thank you for coming in, gentlemen. I want you to assume that I am a ratepayer living within your jurisdiction. Let's assume I give you a call and I say: "Listen, I hear the government has got this Bill 118 thing on the go and it's going to go ahead with this fuel substitution program. Can you assure me unequivocally, gentlemen, that this is a good thing for me?" I don't intend to switch to gas for whatever reason. I may not be comfortable with it. "I assume I have access to it there, but can you assure me that this is not going to hurt me rate-wise?"

**Mr Anderson:** No, I cannot. Our customers have said they do not want to pay for somebody next door to go off electricity to go to gas. They do not want that. That is what they have said.

All I can do is to assure you that if we have to build more expensive plants in the future, you are going to pay more for electricity. We had better find ways of conserving electricity and getting the same value from electricity with better motors, better insulation and better windows. I sug-

gest the government would be far ahead to put in some construction programs and reconstruction programs to cut the use of electricity and all fuels. We just walk into these windows here. I do not know how you sit beside them unless these are double windows. They are totally inefficient.

**Mr McGuinty:** Do you have any numbers that you could share with us as to how many people there are in your jurisdiction who are heating their homes by electricity?

**Mr Butler:** It would be between 13,000 to 15,000, and that is out of 125,000 residential.

**Mr McGuinty:** Has that number been declining?

**Mr Butler:** Yes, it has.

**Mr Anderson:** The number of water heaters in use that would be switching to gas has been declining tremendously.

**Mr Dyer:** We feel that the market itself will take care of any conversions rather than a substitution. In other words, what is eventually going to happen does not need to be reinforced with incentives, because obviously the price is getting to a point now where people are looking seriously at conversion.

**Mr McGuinty:** I have one other matter. With respect to appointing people to the board at Hydro, you propose a different system here. One of the arguments that has been advanced historically is that Hydro is such a complex utility, steeped in all kinds of exotic technology, that it is very difficult for the average person, the generalist, to begin even to understand the workings of Hydro. If you did have a generalist on the board who was competent and capable of absorbing the information that would be necessary in order to make an informed decision at some point in time, it would take three or four years just to kind of bone up on the material. Here the mechanism you are proposing would provide for some kind of rotation. Do you see a problem with that?

**Mr Dyer:** Can I speak to that?

**Mr Anderson:** Go ahead.

**Mr Dyer:** Inasmuch as the municipal utilities in Ontario I think control something like 75% or 80% of the load in Ontario, what Mr Anderson was alluding to was that we probably should have more sensitivity in the various areas. Especially in the Metropolitan Toronto area there is no sensitivity to the goings-on of Ontario Hydro and the input to counteract that. I think the important thing is to have representation that is effective to address the problems. I think that is basically what Mr Anderson was saying.

**Mr Anderson:** Yes, I think people in the utility business have a fair knowledge of it. We have had one or two at the most on the Hydro board and we really should have greater representation. I also think that the Hydro board needs good business people on it as well because it is a business and you need a good cross-section. You need the environmentalists on that board to make sure that the environmental impact is going to be taken care of. You need a broad range of people with different skills, and they should work more together and meet more together so that they begin to understand each other. I think one of the problems at the Hydro board is that they come in for a morning and they are gone. They do not get much interaction of the

Hydro board, from my knowledge. They need to live together a bit more too. You cannot do that with Bill 118, though.

**The Chair:** At that, on behalf of the whole committee I thank you for your participation, Mr Dyer, Mr Anderson and Mr Butler. We appreciate your coming down south to Queen's Park to speak candidly, as you have, and you have contributed, as have a whole bunch of other individuals and groups, to this very important legislative process. Thank you.

**Mr Anderson:** From the land of Lastman, we wish you well.

**The Chair:** We are recessed until 11 am at which time we will start promptly. There is a subcommittee meeting in room 230. Mr Huget is substituting for Mr Waters.

The committee recessed at 1043.

1100

#### CANADIAN COALITION FOR NUCLEAR RESPONSIBILITY

**The Chair:** It is 11 am, and we are scheduled now to hear from the Canadian Coalition for Nuclear Responsibility. Ms Dorothy Goldin Rosenberg, a member of their board of directors, is here to make their presentation. You have 20 minutes. If you could keep your comments within the first 10 minutes, that would leave us some time for conversation and exchanges.

**Ms Goldin Rosenberg:** Thank you. Good morning to all the members of the committee. I would like to congratulate the government of Ontario on this initiative. The fuel-switching amendment in Bill 118 allows Ontario to provide financial incentives to encourage switching from electric heating to less environmentally damaging and less costly ways of providing heating services. While the bill refers to space heating, only half of residential electricity is for heating, so there are major improvements needed in other areas as well.

I recently came to Ontario from Quebec and I have been involved in energy and environmental issues for the last 20 years. I am very encouraged by this process and the potential results. I am happy to tell you that Ontario is way ahead of la belle province in its efforts to address alternatives to the supply-driven policies of the utilities. Since the first phase of the James Bay hydro-electric project in the early 1970s, many environmentalists called on Hydro-Québec and the government to hold hearings and public consultations that might be meaningful, so it is a positive experience to be here at this crucial time when institutional change is actually taking place. CCNR has been formally involved in Ontario Hydro deliberations in the past through other commissions.

Environmentalists all over Canada have closely followed Ontario Hydro's developments over the years as the nuclear industry has received and continues to receive huge subsidies from Canadian taxpayers, a policy which is detrimental to the funding of other energy options. Last year it was announced that Atomic Energy of Canada Ltd will get \$224 million for each of the next seven years, including an escalator clause to cover inflation. The implications of your policies here will be felt beyond Ontario. They will

hopefully have an impact on Saskatoon and Point Lepreau, New Brunswick, where enormous pressure is being exerted on those communities by the nuclear industry for Candu 300 reactors, such as you heard about from the gentleman from the Canadian Nuclear Association.

It will also be important internationally, as Ontario Hydro, together with AECL, the Department of Energy, Mines and Resources and the Canadian Nuclear Association, with a consortium of organizations through the International Atomic Energy Agency, routinely promote the export of nuclear technologies to developing countries, even though people here do not like them too much.

I read with great interest several of the briefs that have already been presented to you. Clearly there are many in favour of Hydro switching to become an energy service company and of the fuel-switching program being implemented in the context of efficiency. This would include a mass retrofit program to reduce home and commercial building heat loss through improved insulation, air sealing, energy-efficient windows and doors, solar energy and a wide range of practical solutions and suggestions that I will come to later.

I was also moved by a speech delivered by the former president and CEO of Hydro, Robert C. Franklin, because he promoted some very interesting changes. But I was shocked to learn that it costs \$50,000 to heat each Ontario home with electricity and that the debt of Ontario Hydro is \$30 billion, which boggles my mind, and to hear that \$375,000 per hour is what that comes to. It seems quite incredible. This is money that could certainly be used elsewhere in these difficult times, and I am happy, as I said, that some policymakers now understand this inefficiency.

When Dr Hélène Lajambe lived in Quebec—she is now with the Organization for Economic Co-operation and Development in Paris—she was the author of the Quebec soft energy path. She often criticized the debt that Hydro-Québec had, similar to Ontario Hydro. She compared it with the impacts of the need for structural adjustment in Third World countries, how we have to cut our social spending, social transportation, health care education and so on to pay the debt. I thought that was an interesting analogy.

The question we have to ask of course is, since Canadians are the greatest energy wasters in the world, does it make sense to spend our money this way? Japan, Germany and many other countries are not only more efficient than we are but are becoming more efficient faster. So the changes at Hydro, while they are gradually happening, need to happen even faster and we should look to some of the other countries to provide incentive to speed up the process.

I do not have much time, as you know, so I would like to address the conceptual framework in the discussion around Bill 118. We have all heard about the monopoly that Ontario Hydro is, and in the past it and the municipal utilities promoted inappropriate, inefficient and costly electricity for space and hot water heating. We know that electricity is environmentally destructive, as most of the electricity used for space heating originates with inefficient and dirty coal-fired plants, resulting in massive emissions

of carbon dioxide, which cause global warming. Coal is also the cause of acid rain. The nuclear fuel chain from uranium mining to fuel fabrication, to reactors, to waste disposal is fraught with unresolved environmental problems. Now this is being more discussed than ever.

The gross inefficiency or overkill of using the very high-grade form of energy, electricity, for space heating has been well documented in other briefs. I noted that one of the engineers quoted Amory Lovins's expression, "Using electricity to heat a home is like using a chainsaw to cut butter." Other descriptions include, "It's like using a forest fire to fry an egg," or "trying to fill a bathtub without a plug."

We described that waste 15 years ago. I remember in my old days when I worked at the National Film Board on energy and environmental films, we produced a film that was narrated by David Suzuki in which we showed infra-red auditing of a house and you could see the red glow all around. You could see the heat just escaping, so of course heating the outside. We are still filling bathtubs without plugs, and this building is probably one too, as someone else mentioned.

You heard from David Argue in the Passmore Associates International brief about how much fuel switching would save and how wasteful electricity has been and that the deliberate marketing of electricity encouraged consumers to spend 77.8% more for electric heating than had they used more cost-effective fuels. Of course, Hydro still underprices the electricity itself to its customers. It costs the economy billions of dollars a year and promotes waste and inefficiency.

In terms of the consumers, they do not pay tax on their hydro bills but they do pay tax on energy-efficient light-bulbs, solar panels, natural gas etc. Because electricity is the costliest form of energy, saving it is financially rewarding. The distortion caused by the subsidization of electricity makes it seem disproportionately cheaper than it really is.

Fortunately, according to Lovins, there are four revolutions which have occurred recently which can reverse that misallocation and give us the benefits we need. These are (1) technologies to wring more work from electricity; (2) new ways to finance and deliver these technologies to the customers who need them; (3) changes in the regulations of the utilities, and (4) changes in the utilities' mission and culture.

In terms of jobs, it is especially important to highlight that in the current recession, when unemployment is high, a full-scale energy conservation and fuel-switching program will result in a potential gain of thousands of jobs in building audits, renovations and alternative energy sources. This should be given immediate attention, as the payback period is relatively fast.

Two years ago in Montreal at the time of the World Energy Conference, a huge international energy- and nuclear-supply-oriented conference sponsored by governments and the nuclear industries, the Canadian Coalition for Nuclear Responsibility held a parallel conference called the Green Energy Conference: An International Symposium on Energy and Sustainable Development. At

it, both University of Toronto professor Ursula Franklin and Amory Lovins of the Rocky Mountain Institute were keynote speakers.

Dr Ursula Franklin is the author of *The Real World of Technology*, her 1989 Massey lecture series on the CBC Ideas program. She was also the director of the Science Council of Canada's *Toward a Conserver Society* study in the 1970s, which did such a remarkable job of alerting Canadians to energy issues, policies and alternatives.

At the Green Energy Conference, she presented underlying values which she said should prevail in all deliberations on energy policy and she called for the need to address the root causes of energy problems. One of the real obstacles to a sane energy policy, she said, was not recognizing the direct link between the physical properties and utility of fossil fuels and electricity and power in the political sense. For many women, and a growing number of thoughtful men, understanding power relationships, domination and subordination of women and nature provides a theoretical and conceptual framework of how society is managed. Gender inequality is a reflection of that domination. Speaking of which, I noted with dismay that there is only one woman out of 14 on the list of your standing committee on resources development and that she is not even here today.

1110

I call your attention to some excellent literature on science, technology and gender. I spoke with this woman earlier and I found out that she is from Hansard. I have listed some literature on science, technology and gender which you will have in my endnotes, but I think it is an important consideration when we talk about power and equality.

Whatever happened to the Science Council's conserver society study? In appraising its efforts, Dr Franklin noted three different strata in the responses to it. First, there were the ordinary people who responded by making changes in their lifestyles and workplaces. Second, there were institutions responsible for changing regulations, specifications, spending and research priorities, the things that individuals cannot do. Third, there were professionals who made private decisions to incorporate some of these concepts in their work, such as architects, engineers and other trained professionals who deal professionally with technology.

On the first and third levels, the study resulted in real and useful contributions to processes that were more energy-efficient and less polluting, but where it got stuck and reversed was on the middle level. The institutions were totally immovable. There was no change in the price and tax structures that encourage people to waste or conserve and no real changes in specification structures. It is this layer of institutional intransigence that needs to be addressed, and I am very pleased to see that it is beginning to happen here in Ontario.

These realities are obvious. I was particularly dismayed when I discovered that in North York, where I live—and I was interested to hear the gentleman who went before me—the cost of electricity is included in the rents in the apartments and the general fees of the condominiums. Where I live at York University, and it is a brand-new

building, people do not even know what the electricity portion of their rent is. It is all together, so of course it encourages enormous waste. People use too much air-conditioning and they waste hot water etc. They use their appliances too much and if they are not paying for it, it is common sense that they are not going to save it.

What we learned from the conserver society and soft-path studies was that ultimately the questions to be asked have to include, "What is the job that needs to be done? What are the end-use services? How much is needed, at what scale, from what source? What is the most efficient and cheapest way to do it?" We learned that electricity, when used for obligatory end uses for which there is no substitute, lighting, appliances, computers etc, need not constitute more than 12 per cent of the energy budget or it is being misused. You can see in Ontario how much higher that is.

Times have changed and there is a much greater understanding that we do not say any more, "We must have more energy and more supply," but instead ask, "What is the job to be done?" Now is an opportune time for Ontario Hydro to adopt an environmentally appropriate end-use, least-cost approach that can be a powerful tool for understanding how people behave in a competitive service market. At the Green Energy Conference, Lovins reported that in the US a pattern is evolving in which hard-path sources, that is, nuclear, coal, fossil fuels etc, are being gradually squeezed out by a combination of energy efficiency and appropriate renewable energy sources.

He reported that over the last decade the US has obtained over seven times as much new energy from savings as from all net increases in energy supply combined, and of the new supply, more has come from renewables than non-renewables. He said that if they chose the best energy buys for the rest of the century, they could get accumulated net savings by then of several trillion of today's dollars, enough to pay off the whole US national debt. In a recent article—and I notice you have been distributing it—he says they could save more than the entire US military budget of \$300 billion. If we make those kinds of calculations for Ontario Hydro, maybe we could write off the Ontario Hydro debt in the next 10 years.

Lovins reported that in terms of technologies, they are growing so fast that many of the best ways we have today to save electricity while providing unchanged or improved services were not on the market a year ago. They can now save twice as much electricity as could be saved five years ago, at only a third of the real cost. That is a sixfold expansion in cost-effective potential in five years and almost a 30-fold expansion in ten years.

Lovins felt this was just as dynamic an area of technology as computers or consumer electronics, and maybe even more so. He documented different efficiency technologies in lighting, heating, machines etc, illustrating that if you replace a 75-watt bulb with a 14-watt bulb, you are sending 61 unused watts, or negawatts, back to Hydro for it to sell to someone else without having to make it all over again. It is cheaper for Hydro and society to use these bulbs than to operate a plant, even if the building of it costs nothing. That could eliminate about five 1,000-megawatt

stations in Canada. With other improvements, there is about a 90% savings potential in lighting all told.

Lovins suggests that commercial lighting is probably the biggest gold mine in the whole economy. He calculates that if the accumulated energy savings he referred to were added up, the utility and the people of Ontario could save roughly 75% of the electricity currently being produced in the province. I do not know if any of you have ever seen Amory Lovins do his suitcase show, but he has this suitcase full of lightbulbs and showerheads and other energy-efficient tools. As he holds up each one, he describes how many megawatts would be saved by everybody using this particular technology. It is quite dramatic.

Today in the United States, many large corporations such as Polaroid and Johnson and Johnson are pursuing energy efficiency with dramatic savings. High-efficiency lighting, heating and cooling systems are saving the Boston Globe \$350,000 a year. The municipal utility in Osage, Iowa, saved so much money helping citizens weatherize houses that it repaid all its debts, had five rate cuts in five years and kept more than \$1,000 per household per year in the local economy.

Also in the US, a growing number of states have changed their regulations to allow utilities to keep part of the money in their efficiency programs. That would help soften the municipalities' resistance in the case of Ontario. Now utilities in the States are saying that it is the most profitable money they make. In the next five years, New England utilities will spend \$1 billion to help their customers become more energy-efficient. The utilities themselves will save even more money because they will not have to build expensive new plants.

A similar revolution is occurring in California, where utilities plan to meet three quarters of their new energy demand in the 1990s through customer efficiency and renewables. Also in California, as well as in other areas, it has to be proven that there is no other way to produce the energy services required before new supply can be built.

This of course is also good news for the abatement of acid rain and global warming and for the prevention of yet more highly radioactive wastes, for which there is no safe solution. Lovins describes how, over its life, one compact fluorescent bulb will prevent putting into the air from coal plants about a ton of CO<sub>2</sub> and eight kilos of sulphur dioxide and various other polluting substances. What is exciting about all of this is that these advancements, while they were predicted years ago, have exceeded all expectations.

The results are that proposed major dams in Maine and Colorado have recently been cancelled because it was shown that alternatives were less costly. A debate is currently being waged in New York state about whether or not it should import Quebec, ie, James Bay, electricity or whether it should spend the money on its own efficiency improvements. With the abovementioned examples of remarkable progress, does it not seem the height of mismanagement and waste to continue along the nuclear electricity path with the aggressive attempts by the Canadian nuclear establishment in Saskatoon and New Brunswick to impose these Candu reactors as economic development?

Of course, Ontario continues to have severe problems with both its aging and its new nuclear reactors, and that will be long in the future despite recent pronouncements on limiting expansion. We from CCNR recommend that any money for the nuclear industry should go into solving the nuclear waste problems and learning about decommissioning reactors. You can understand why sophisticated scientists and environmentalists become a little bit cynical about politics when we have known so much of this information for years.

I would like to address education and culture, because I think they are crucial to this discussion. Environmentalists have played and will continue to play an especially important role as a source of conceptual and policy leadership, of education and consciousness-raising and of practical innovation in bringing these issues to the public sphere. Today the role of education and the media is crucial to promoting these positive alternatives. Mindsets and behaviour must change, and you have heard from people who really do not want this change. There are still powerful roadblocks, and we need to deal with them.

1120

No doubt you have all seen the TV and magazine ads promoting nuclear power, an expensive media campaign to persuade people that it is safe and non-polluting. The image of the grandfather and the little girl is quite misleading. No doubt you are also aware of the massive pro-nuclear educational campaigns and programs by Ontario Hydro in the schools, in which they regularly take busloads of students to Pickering and Chalk River. Similar programs exist in the schools in Saskatchewan and New Brunswick. The environmental publication *Green Teacher* carried a revealing article on this topic recently, and I would urge you to have a good look at it.

**The Chair:** Ms Goldin Rosenberg, we have one minute left in which to wrap up, please.

**Ms Goldin Rosenberg:** Okay. I would also urge this committee to recommend to Ontario Hydro stop promoting nuclear energy as the best solution to meeting the province's energy needs, and use these resources to stimulate education and training for efficiency alternatives instead.

I will close with commonsense advice for energy policymakers offered by Dr Ursula Franklin at the conference. She said: "As technological society's currency, energy is the withheld to do things. And if we think of energy as money, then we know why we say: 'Don't waste it. Spend it intelligently. Don't fall for the schemes of con men. Don't buy on credit if you don't know what you are doing. And most of all, don't leave bad debts.' These should be the hallmarks of a sane energy policy."

**The Chair:** Ms Goldin Rosenberg, we thank you and the Canadian Coalition for Nuclear Responsibility for your interest and your participation in these proceedings.

#### VISITORS

**The Chair:** Before we commence with the next presentation, I want to introduce to you, sitting in our audience in this committee room today, a delegation from

Korea. It is a delegation visiting this assembly, the Legislative Assembly of Ontario.

There are 41 councilmen from Seoul and the surrounding cities. These parliamentarians were elected in a general election in 1991, the first election for a regional government in approximately 30 years. In their neophyte stage, the local autonomous governments of Korea are seeking operational information and skills so that these councils can operate more effectively.

The visit of these people to Queen's Park is part of a curriculum for a graduate program to train councilmen. The program is offered by the graduate school of industrial management at Chung-Ang University. The program is led by Dr Yun-Won Hwang, director of the local councilmen training program for the department of public administration at Chung-Ang University. Dr Hwang is accompanied, I am advised, by an associate professor.

These gentlemen are obviously very eager to learn about the British-Canadian parliamentary system and to meet parliamentarians. I welcome all of you on behalf of the committee and on behalf of all of the Legislature. Please let me explain to you who we have here.

This is an all-party committee. On your right is Dalton McGuinty, who is a member of the provincial Parliament. He is the opposition critic for Energy and is participating in these hearings as an MPP and as a critic. Along with two others, he represents his party, the Liberal Party.

Next is Leo Jordan, who is the opposition critic for the Progressive Conservative Party, which is currently the third party in the provincial Legislature. He is accompanied by his colleague Mr Amott, who is, along with a few of the other people here, a first-time member of this Legislative Assembly.

With Mr McGuinty as well is Sean Conway, who is a long-time member of the Legislative Assembly. In previous governments he had been a cabinet minister in several portfolios, and he is currently active in the front benches of the opposition. He also has an entitlement to a pension that most people would give their left arm for, as a result of his long service in the provincial Legislature.

The balance of people sitting at these tables are from the government benches. Every single one of them is a first-time member of the Legislative Assembly, elected in the general election in 1990 from a variety of backgrounds, as are the opposition members. Among them is Bob Huget, the parliamentary assistant to the Minister of Energy and also an MPP in his own right. I am a member of the Legislative Assembly—with not quite as many years of service as Mr Conway, but then again I am not as old as he is—serving as Chair of the committee.

Then we have Mr Yeager, who works for the Legislative Assembly, and he is one of the research staff we have working for the Parliament serving all parties; the clerk of the committee, who works with the clerk's office and once again works for all of the Legislative Assembly, and Pat Girouard, who works with Hansard, which prepares the official transcripts. Seated at the console conducting the electronics of all this is another Hansard staff person.

We are about to hear a submission from representatives of the Energy and Chemical Workers Union, a labour

union which represents workers in the energy production areas, among other places. We are discussing Bill 118, Power Corporation Act amendments which will, according to some members of the Legislative Assembly, make significant changes to the operation of Ontario Hydro, which currently has an interesting and unique quasi-monopoly on energy production in the province.

Seated in the audience is someone we have just heard from, Dorothy Goldin Rosenberg, who represents a lobby group, an activist group in the province, the Canadian Coalition for Nuclear Responsibility, and as well Larry Solomon, who is the research coordinator for Energy Probe, who will be making a submission immediately after the gentlemen from the Energy and Chemical Workers Union.

I say to all of you, welcome.

**ENERGY AND CHEMICAL WORKERS UNION,  
CONSUMERS' GAS WORKERS COUNCIL**

**The Chair:** The next participants are from the Energy and Chemical Workers Union, Consumers' Gas Workers Council. There are three persons making a presentation on its behalf. Please come forward, have a seat and tell us who you are. We have 20 minutes. If you leave us 10 minutes at the end, we will have time for some questions and dialogue, and if you leave us 15, we will have time for that many more questions and dialogue.

**Mr Moffat:** That just might happen too.

**Mr Lapointe:** Good morning. My name is Everette Lapointe. I am president of the Energy and Chemical Workers Union, Local 001. We are here this morning to appear before the committee and represent the members of the unionized workers at Consumers' Gas. With me is Dave Moffat, the national rep for our locals at Consumers' Gas. He is with the Energy and Chemical Workers Union. Also with me is Ed Currie, the vice-president of our local.

The number of workers in our group is around 1,700. We perform work in all phases of gas distribution, including new construction, service and maintenance of existing equipment and clerical support systems such as billing, customer service and meter reading. We represent workers in the greater Toronto area, north to Georgian Bay, Ottawa in the east and the Niagara region in the west.

The Energy and Chemical Workers Union represents workers in various industries across Canada, including oil refineries, petrochemical and natural gas distribution. Our policy in representing workers in the energy field is to take a leadership position in energy conservation and the effective use of energy while securing the future of our members.

The proposed amendments to the Power Corporation Act could have a drastic impact on our members through the expected expansion of the gas distribution industry. The abundance of supplies of natural gas is presently underutilized because the option of having a gas supply is not available to enough homes and businesses. Therefore, the environmental benefits and cost savings are not being realized.

Depending, of course, on how Ontario Hydro uses its fuel substitution resources, we feel there is a great potential for a more cost-efficient and environmentally sound energy policy in the province. As the cleanest-burning fossil fuel, natural gas can and should play a major role in

improving the environment. When substituted for other, more polluting energy sources, it can minimize some of our most serious environmental problems such as urban smog, acid rain and global warming.

Apart from the direct price advantage of natural gas, which would offer substantial savings, the increased utilization of current gas distribution facilities should also result in a long-term cost saving to the public. Another short-term impact of fuel substitution is the encouragement this opportunity gives energy users to update their equipment. The conversion from older and less efficient equipment will result in less energy being expended to achieve the same result.

We would also hope that a new broader direction in energy policy would create a growth market for developing more energy-efficient equipment. Ideally this would allow the province to take a leadership role in developing the offshoot industries and would provide the potential for job creation.

As you may have gathered from my remarks, the unionized workers of Consumers' Gas are in favour of the amendments as proposed in Bill 118. We expect that with the potential growth in our industry, the workers we represent will be faced with new challenges. These are challenges which we are prepared to meet. Current collective-agreement language will allow us to adapt the workforce to these requirements, and we are open and willing to discuss arrangements that may be necessary to meet any new demands. Thank you.

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**Mr Huget:** Thank you, gentlemen, for your presentation. I would also like to welcome the delegation from Korea and wish you an enjoyable and pleasant visit with the Ontario Legislature and in Ontario.

Gentlemen, the nuclear industry when it appears points to jobs and the economic benefits of having that industry in Ontario and the obvious investment spinoffs and economic spinoffs to that industry. I am wondering, in your view, are there opportunities for investment, for research and development and for high-quality jobs in your industry?

**Mr Moffat:** I will respond to that, if I may. Currently we represent 1,700 workers, and under the current gas distribution systems in the regions that we have identified we have what we would identify as quality jobs, and that is maintaining the current plant and facilities that are in place. Any expansion we anticipate would generate a broader number for that servicing.

As far as research and development is concerned, in the past in Ontario—it is not common all over the world, the concentration of hydro power—currently items in the household are serviced, or even communities are serviced, anticipating only distribution of hydro in some places. We feel that having the choice will create an opportunity for expansion and jobs, in the simple respect that an example they may use is that new buildings rough in wiring for electric stoves, while there is an energy alternative that some say works as well or better and certainly is more efficient in displacement of energy. There is no opportunity to rough in gas connectors for stoves in a house. For a

simple thing like that, the technology is available. Whether Ontario takes the initiative to develop the sort of manufacturing industries needed in those fields is again up to the current government. We anticipate they will.

**Mr Huget:** If I understand you correctly, you are saying the building code mandates that a new construction must be wired for an electric stove and an electric clothes dryer and you are saying that should be more flexible?

**Mr Moffat:** We have no question that should be more flexible. We are representing the workers, mind you, and actually the two people who are with me work as service technicians. There is a viable option to an electric dryer and electric stove. Most people are aware that a gas stove is a viable option, because most of the fine chefs in the province still prefer to use gas in cooking—not to do the commercial for it; it is just a reality. But currently if you were to buy a new house, not only would you have to buy the gas appliance but you would have to pay for the roughing in of the connectors. If you were to buy an electric appliance, you have the advantage that the builder is mandated to rough in a hydro connection.

**The Chair:** Mr Wilson, briefly, please.

**Mr G. Wilson:** In some of the hearings we have heard concerns about the safety of gas. You people work with it. I would just like to hear your comments about that. How safe is gas?

**Mr Moffat:** I imagine the gas associations will be making presentations. I thought that question was kind of dealt with historically. Currently there is already the plant service for gas. The hazardous side of it has been, we anticipate, dealt with. It is a very safe distribution system of energy. If you were to ask us as workers, we think the production of natural gas is a much safer process than building a nuclear generating site that would have to dispose of the waste materials after. By the way, I have worked as a representative for the workers at Atomic Energy of Canada in my career, and I am somewhat aware of the difficulties they have disposing of nuclear-contaminated tools, for example. Gas distribution, in our opinion, would be much safer as an alternative.

**Mr McGuinty:** Thank you for coming in. I think it is fair to say, and you acknowledge this, that your union would benefit if Bill 118 went ahead in its present form. Some of the people who have been coming before us are saying that the gas utilities should have some kind of obligation imposed on them to share in the subsidization of fuel switching. If I am heating my house electrically and I want to switch to gas, Consumers' Gas in my area should pay part of the cost for me to switch as well as Ontario Hydro. How do you respond to that?

**Mr Moffat:** Without having the backup research figures, I would anticipate that would probably be fair, if private ownership of Consumers' Gas is, accepted as standard. Ontario currently recognizes that part of the cost-benefit program analyses how long it is going to take to pay back for implanting services. The industry, of course, would argue that subsidies should cover a significant portion of that. Where it falls down is something for future discussions, I would anticipate, as to who consumes the

most. But what we are more concerned with is the automatic advantage to Hydro. Hydro has the automatic advantage in its distribution system because it provides lighting. It virtually eliminates in some communities an opportunity to implant services for natural gas distribution.

**Mr McGuinty:** Let's assume, because I am still not convinced that it is otherwise, if I am not able to switch to natural gas because it is not available in my community, I have to pay for somebody in the Toronto area who is on electricity who has not been motivated by market forces today to switch to natural gas. I am up in Sioux Lookout. My rates are going to go up. That is what the public utilities commission people are telling us. My rates are going to go up in order to have somebody down here switch to natural gas.

**Mr Moffat:** Are you suggesting they mean other gas consumers?

**Mr McGuinty:** Electricity consumers.

**Mr Moffat:** Electricity consumers' rates would go up?

**Mr McGuinty:** Yes, as the public utilities commission people are telling me. Do you think that is fair?

**Mr Moffat:** I cannot agree to it offhand. I would have to see statistics. I cannot imagine why they would anticipate that. It is all part of a bigger picture of planning. There is such a variety of hydro developments. I imagine there are some people in this room who are more expert than I who would argue whether it is fair to have an electricity project built on nuclear, that being the most cost-efficient compared to a cogeneration facility that would create hydro power at much lesser cost. Those sort of things we anticipate the committee and other parts of government will be looking into as well. So in fact, in the long run in Sioux Lookout their hydro may be less if supported by cogeneration of a byproduct of a steam production plant, a pulp and paper mill, for example, that uses a lot of steam. If they were allowed to generate electricity as a byproduct, Sioux Lookout, as a consumer for lights, may not have to pay for the nuclear development or waste disposal.

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**Mr McGuinty:** I take it that you are in the same position I am. We really do not know the full implications, the full consequences, of implementing a fuel substitution program in terms of the effects it is going to have on existing ratepayers.

**Mr Moffat:** I do not know what the effects are going to be on existing ratepayers in respect to no longer subsidizing hydro. I think everybody is up in the air in respect to that. Continuing on as we are, probably, as you do not know where it is going to come out.

**Mr Jordan:** I too would like to welcome the delegation from Korea. I am looking forward to having lunch with you later.

I thank you people for coming and giving your presentation on behalf of your workers. You represent 1,700 workers and you have predicted this will no doubt increase considerably as you expand to meet the fuel switching, which has already been more or less implemented in the

new demand-supply plan. We can assume that it is going forward in that area.

I am wondering two things. First of all, do we need incentives or do you feel the marketplace will do a balance on the fuel switching without incentives from either the gas company or Ontario Hydro, and as your workers increase in numbers, do you see a corresponding layoff at Ontario Hydro?

**Mr Moffat:** To the second question first, no. The natural gas industry in Ontario is regulated through what services it is required to provide and the gas distribution companies through their organizations provide, in the bigger picture, much more extensive services than the hydro distributors currently do, Ontario Hydro or any of the municipalities in respect to hydro. All the gas distribution companies in the province actually have systems in place to service the equipment that is on the end of their line. Very few, if any, of the hydro facilities do. In fact we do not see it reducing the hydro opportunities.

**Mr Jordan:** What about Hydro staff? Will they correspondingly be laid off?

**Mr Moffat:** Not in our anticipation. No, we do not see a corresponding layoff in Hydro staff. The programs Hydro is currently on do not do what the gas distribution companies do in respect to servicing. We have in the Metro area approximately 250 high-quality jobs, if we could refer to them as that, in respect to servicing heating appliances. Hydro does not do that.

**Mr Jordan:** No, but I am saying that because we will not be expanding or picking up the heating load, then what you are saying is that our labour cost is going to stay the same because we have to go out for the lights and the connection anyhow.

**Mr Moffat:** No, I am anticipating what you were talking about as meeting the future requirements. What I anticipated was that you were meeting future requirements with construction of new facility.

**Mr Jordan:** No, I am saying that your workers are going to increase from 1,700 and your consumption is correspondingly going to increase. Ours is going to decrease. That is the purpose of it. Naturally you would expect that there should be a cutback in the personnel required, would there not?

**Mr Moffat:** Maybe you had better ask Hydro that and the gas employers. I do not anticipate that it would require a cutback compared to the amount of top-end jobs it would create. It would be disproportionate. If the gas distribution companies had their opportunities to expand and continued their obligations they currently have in relation to the regulation that affects them in respect to safety and servicing to the nth degree, then I cannot anticipate the cutbacks you suggest.

**Mr Jordan:** And the second part, can the marketplace handle the switching without incentive?

**Mr Moffat:** Not in all regions, no. Currently there is almost a constant switch as it is with the marketplace handling it. Some communities just do not have the opportunity because the costs are so prohibitive.

**The Chair:** Mr Lapointe, I want to thank you and your colleagues, Mr Currie and Mr Moffat, for your interest in the matter and the time you have taken to be here today and speak with us. We appreciate that involvement and we thank you. Take care, gentlemen.

#### ENERGY PROBE

**The Chair:** The next participant, and the last one for the morning, is Energy Probe spokesperson Larry Solomon. Please, sir, be seated. There has been material distributed on your behalf which will form part of the record. Tell us what you will.

**Mr Conway:** Having read the Globe and Mail, Larry, we can just all take it as read. You must feel particularly good today.

**Mr Solomon:** I have no quarrels with the Globe editorial.

I am grateful for the opportunity to comment on the proposed amendments to the Power Corporation Act because this act has had a profound impact on the Ontario economy. Each of you should have a copy of a study entitled Cross Border Electricity Rates: Ontario's Loss of Competitiveness. I would like to ask you to turn to the first graph, which is on page 4. This graph compares Toronto electricity rates to the US average.

Until 1978, the US and Ontario had very similar electricity structures, both being monopolized sectors. Some parts of the US, those with abundant hydro-electricity, had lower-cost electricity than Ontario, but most US utilities charged more for their power than Ontario Hydro because most did not have significant water resources. Overall, the US charged much more for power than Ontario Hydro did.

In 1978, the US federal government under the Carter administration passed anti-monopoly legislation that affected the equivalents to all of the state power corporation acts, that is, in all the 50 US states. The monopoly utilities challenged this legislation in the courts and eventually lost in the mid-1980s when the Supreme Court in the US ruled that the federal anti-monopoly legislation was constitutional. As a result, the various state equivalents to the Power Corporation Act had to be amended to allow competition.

The graph that we are looking at shows the result. With competition now allowed, vast amounts of cheap and clean power began to flood the US market. Coal and nuclear power expansion from the utilities was stopped dead in its tracks. Replacing these expensive and environmentally damaging technologies were safer and more economic technologies, renewable technologies such as windmills, but, most of all, high-efficiency gas technologies. In the US, the economy was ahead and the environment was ahead.

Let's look at the graph to see what happened in Ontario over that same period, during which Ontario's Power Corporation Act retained all of Hydro's monopoly powers. As you can see, Hydro's rates increased dramatically. They will need to continue their dramatic increase if the utility is to avoid taxpayer bailouts. Bill 118, if passed as is, will only speed up the utility's decline.

The effect of Bill 118 is to further distort the Ontario economy by having Hydro ratepayers pay for gas services, conservation services and other energy services. Bill 118 further politicizes Ontario Hydro, which can only make Hydro less competitive. Hydro should be accountable and subject to the laws of the land, the same as any other company. The problem in fact is that Hydro has been less accountable precisely because it has been politicized.

Rather than leading Hydro further from economic reality through passage of Bill 118, I propose that Bill 118 be amended to promote true accountability and environmental protection by removing Ontario Hydro's monopoly powers.

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Ontario Hydro should lose its powers of expropriation of private property under section 23 and sections 32 to 37 which enable it to acquire a competitor's generating station, transmission lines, as well as lands and waters.

Ontario Hydro should lose its right to acquire municipal property without the assent of electors by having section 38 repealed.

Ontario Hydro should lose the government guarantee of Hydro bonds by having section 53 repealed.

Ontario Hydro should lose its absolute regulatory powers over all matters electrical, from private generating stations to toasters, under section 93 of the act.

Ontario Hydro should lose its power to determine utility borrowing by municipalities under section 94 of the Power Corporation Act.

Ontario Hydro should lose the power to set rates by municipal utilities, including the few private municipal utilities still left in the province, by having section 95 repealed.

Ontario Hydro, in short, should lose all of the extraordinary powers which have so ill served the economy and the environment of this province.

Thank you. I am ready for any questions.

**Mr Conway:** Not since Comrade Gorbachev painted his picture of perestroika have I heard such a fascinating set of proposals. Of course, I have followed your career for some time. As I say, now that you have brought the Globe and Mail on side, who are we, as caterwauling legislators, to do anything but line up and assent to this radicalism? But you certainly, I must say, make a case that a number of other people have been making, though with not nearly the power and effect of your concise argument here this morning.

Let me just ask you a question. Ontario Hydro became so powerful, I would argue, in the early days because Adam Beck had two things he could manipulate, to his everlasting political credit. One was the fact that the coal supply, from the private market, which fuelled a lot of the energy sector at the turn of the century—the coal cartel in Pennsylvania turned off much of the tap and left the province in a very serious situation. At the same time, people started to look to the power at Niagara and found, my God, it was in the hands of William Mackenzie and Frederic Nicholls and Henry Pellatt, not exactly the people's concept of public-spirited philanthropists at the time. That combination of the private sector controlling on the one hand the coal supply and then a small group of Toronto plutocrats controlling the power of Niagara made unstop-

pable Beck's pitch for public power that gave rise to the Hydro that you complained about.

My question then is for those who argue the case of privatization, and at a certain level it is a very attractive case. The current government, with this bill and policy that informs it, has, I would argue, begun a significant move in the direction of privatization. But what do you say about the argument that would hold that this is so vital? To turn this system over to private interests, even though they might be regulated, would put so much of the province in a position of potential jeopardy that the very politics that drove Beck to the public power movement that he headed would return, only with greater vengeance.

**Mr Solomon:** First, the situation at the turn of the century is one that in many ways I think had a lot to commend itself, the situation that led to the rise of Ontario Hydro. Ontario Hydro was actually set up, not to generate power, but to bring Niagara power to Toronto and to 11 other municipalities. At the time, the coal barons in Ontario, the Pellatts you referred to, were coal generators. Ontario Hydro was not envisaged by our forefathers as being a monopoly generator; Ontario Hydro was envisaged as being a distributor. Really, it was a co-op at the time.

**Mr Conway:** That is correct.

**Mr Solomon:** I think there was some fundamental wisdom in that initial system. I think we would be well served to go back to such an initial system in which Hydro continued to be a transmitter of electricity for the province. Transmission is probably a natural monopoly. That is not where the main problems lie. Ontario Hydro could continue to retain that role, and Ontario Hydro could go back to the role that was initially set out for itself at the turn of the century by delivering other people's power for it. Public producers or private producers could all compete.

**Mr Conway:** But it was these scoundrels who controlled the private power that made that possible. These buccaneers were going to hold these poor municipalities to ransom. That is what led to the natural expansion of the Hydro mandate. My worry is that a lot of things have changed, and if I wanted to buy your argument, and a part of me does, what protection do I have against the thought that, my God, Conrad Black and Robert Maxwell or someone of that crowd would somehow get control of the new means of power production? Though I control the distribution, I would be distributing something at a very high price, and I might not get it under circumstances that would be very favourable either.

**Mr Solomon:** Here is what happened at the turn of the century. We went from a situation of private monopolies to public monopolies. I do not think it would be desirable to go back to private monopolies, but I do think it would be desirable to go to a competitive system. The electricity generation system is naturally competitive. There is no way, given existing technologies and the technologies we have had over the last century, that the sector could be monopolized without state intervention to assist that monopoly.

There is a reason that the Power Corporation Act includes all these provisions to keep Ontario Hydro in control, because without that help from you gentlemen, we would have a

free-wheeling system in this province that would deliver electricity as reliably as farmers deliver food. We do not have state control. We do not have an Ontario food board making sure that our eggs, milk and meat are on the table, yet no one worries about the security of supply of our agricultural produce. I submit to you that if we had deregulation in the electricity sector, the way we have deregulation in many parts of the agricultural business, we would not have security of supply problems.

**Mr Conway:** I would like to take you to the Ontario Milk Marketing Board some day. But I would like Mr McGuinty to have a shot.

**Mr McGuinty:** Mr Solomon, thanks for appearing.

I think it was Mark Twain who said that there were three kinds of lies: lies, damned lies and statistics. I am looking at your charts here. I do not have the argument, but I gather Ontario Hydro has responded to this and it has said this does not represent reality. I think there was an article to that effect in the Globe and Mail some time ago. Do you recall that?

**Mr Solomon:** I have not seen any Hydro response. I understand that Hydro is preparing a response to this study and that it will be available today. I also understand that Ontario Hydro's criticism of this study is that we are comparing Ontario to US averages and that it is meaningless to look at average prices across the board. I do not really understand why it is meaningless, but the study, I think, would be every bit as dramatic if we compared Toronto with various municipalities in the United States.

Ontario Hydro, when it compares rates, has a habit of cherry-picking US cities that it compares Toronto to. The cities that Ontario Hydro invariably selects are very high cost jurisdictions. It does not look at Seattle which has prices that are much lower than we see in Canada. It picks utilities in the US that got into trouble, usually because they went into nuclear power. Ontario Hydro then points to them as justification for maintaining the status quo here in Ontario.

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**Mr McGuinty:** There was a time when Ontario Hydro was telling me that the best thing I could possibly do in relation to electricity was to use it, and now the pendulum has swung the other way. Ontario Hydro is apparently telling me that the best thing I can do now is to save it, and the best way they can think of saving it is through expenditures on its part.

I am wondering why now, as a ratepayer, I should not be taking comfort in this new approach, and why in particular I should not be taking comfort in knowing that at least government now is going to hold Ontario Hydro in check. I can always contact my representative at Queen's Park if I have a problem with Ontario Hydro, whereas in the past I had to deal with my public utility commission, some distant board of directors with Ontario Hydro.

**Mr Solomon:** Ontario Hydro's conservation programs were scrutinized in great detail by the Ontario Energy Board, and what the Ontario Energy Board found after a detailed analysis of several of Ontario Hydro's conservation programs was that they were uneconomic. This is

testimony that we brought before the Ontario Energy Board.

The effect of it is that the \$6 billion Ontario Hydro is planning to spend on conservation will largely backfire. In some instances it will actually lead to increased electricity consumption, but what it certainly will do is raise rates for ratepayers, so you will get no comfort in the scenario you drew from the conservation programs of Ontario Hydro.

I do not think we need lower electricity rates if that means paying for them out of another pocket, paying out of taxes, or if that means letting the system degrade. A cap on electricity rates, which the government has proposed, would certainly undermine the electricity sector and therefore the province, so there is no reason to put any faith in political solutions to economic problems. It is an economic problem we have with the electricity business that should be treated like any other industrial sector, and the role of government in trying to direct the resources of the electricity sector will not serve us well in terms of rates or in terms of the environment.

**Mr Jordan:** It is nice to meet you and have you make your presentation this morning. I wonder, is it Ontario Hydro that is really in question here or is it the use of nuclear energy for supply? What is really causing this Bill 118?

**Mr Solomon:** I do not know what the motivation is behind bringing in Bill 118, but I submit that nuclear power is only a symptom of the problem that we have with Ontario Hydro's structure. Ontario Hydro favoured big coal before it favoured big nuclear, and at some point in the future it may again favour a technology that is not really the people's technology. When you let the markets decide and consumers decide what the electricity source of choice is, what they tend to choose is that which is most economic, and also the ones that have the fewest environmental externalities. Those happen to be the small-scale technologies that the private sector around the world is choosing whenever they have a chance to operate in a competitive environment. By private sector, I am including large companies like Texaco that are getting involved in a very large way in other countries, and I am also including farmers who are often the main beneficiaries of deregulated electricity systems.

In the United Kingdom, for example, farmers are finding that they had land that previously had no value because it was on a knobby hill, difficult to cultivate. But suddenly, because there is a good, strong wind regime there, the farmers are able to develop the sites themselves, as they are sometimes doing, or selling the rights to entrepreneurs, who then put up windmills on those sites.

We are finding that farmers are benefiting that way. Farmers are also benefiting because often a product from farms is chicken manure and other forms of animal waste which are becoming a significant source of generation in various jurisdictions in the United States as well as in the United Kingdom.

There are many resources that are community based across this province, which we would be tapping into, creating jobs across the province and also empowering

communities through a deregulated structure. The alternative we have had has centralized control in Toronto and it has not served any interest really, except Hydro's.

**Mr Jordan:** That brings me to my final part of the question. Did industry really come to Ontario because of the certainty of cost of the supply, and if it did, what is going to happen now? We already are getting this mix that you speak of into our transmission system. I personally am not aware of what guarantee of continuity of service is coming from these independent power producers and cogeneration and so on, but certainly they are being welcomed into the system at the present time. Industry has been getting very sceptical of certainty of supply and cost.

**Mr Solomon:** Like all of us, industry does not like uncertainties, and a restructuring of the electricity system in Ontario would lead to uncertainties. But the evidence is overwhelming. In the United States, virtually all the new expansion that has occurred since this new anti-monopoly legislation was passed has been from the independent power sector. The large utilities have been priced out of the business of building new major generating plants. They are building a few small peaking plants.

In the United Kingdom, there is no utility any more; the generators are anybody who decides to get into the business of generating electricity, and although the way the restructuring there was done was in many ways haphazard, unplanned, the Thatcher government went from one error to another, nevertheless the results have been robust and the expertise within the electricity system has been so strong in the United Kingdom that there have not been problems with reliability of supply. In fact, supply is much more reliable now than it had been before. I think there is the same expertise in Ontario. There are independent power producers—

**Mr Jordan:** That is not the purpose of Bill 118.

**Mr Solomon:** No, but you were concerned about industry needing comfort that there would be a reliable source of power. The evidence everywhere is that the independent sector provides very reliable power, and the industry would be very pleased to see Ontario Hydro's monopoly disappear because rates in Ontario are about twice as high as they would be in a deregulated environment.

**Mr Jordan:** Thank you very much.

**Mr Hugot:** I would like to go to the monopoly issue, and I apologize for not being here for your presentation, but I would like to get your views on a private monopoly as compared to a public monopoly. I think there are some concerns, particularly from Britain. Lately I have heard one or two of their analysts showing some concern in terms of long-term reliability. While there is reliability now, they are very concerned about the state of electrical generating facilities in the future and whether or not there will be that consistent reliability. I would like your views.

**Mr Solomon:** Moving from public monopolies to private monopolies is not Energy Probe's purpose. In the United Kingdom there are no monopolies. Some companies have an inordinate market share right now because when the Thatcher government privatized the system, it tried to create a large enough entity to absorb the nuclear

plants because Thatcher was a strong admirer of nuclear power. It turned out that the private sector, even in a large corporate entity, still refused to take nuclear power because nuclear power was simply not economic, even if the plants were given away for free. For that reason, the system the United Kingdom started off with was highly distorted.

Nevertheless, what is happening is extremely dynamic. The private companies who inherited the coal and oil plants are realizing that the coal plants are not economic and they are laying off capacity. Everyone realizes now that the major expansion program that helped drive the privatization in the United Kingdom was not necessary. Once the plants were in private hands they were able to operate at much higher capacity factors. That delayed the expansion program, so the expansion program went by the board. The existing coal plants are going by the board. They are being shelved prematurely, and replacing all this is a host of new power. Some of it is small-scale renewable wind power and biogas generators that I refer to, but most of it is high-efficiency natural gas generation.

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Among the companies building in the United Kingdom are Texaco, but also Canadian companies are forced to go to the United Kingdom to build their plants because there is no market here in Ontario for them. Companies like Canadian Utilities do not have the same access to the Canadian economy that they do to the United Kingdom economy, so there is a great deal of new plant being built in the United Kingdom. In fact, there is more new building in the United Kingdom now than there has been at any time since the OPEC oil crisis.

The system is in a state of great change, and it shows the resiliency of the system. Nobody is experiencing blackouts, and in fact the private sector is expecting prices to drop because an electricity futures market has been established in the United Kingdom in the same way there is an oil futures market. Companies are preferring not to enter into long-term contracts for their future electricity needs because they expect electricity will be available on the spot market at lower prices.

There are people who are very concerned about what is going on in the United Kingdom, but it is not industry that is concerned, because industry is expecting prices to go down, and industry is seeing a huge amount of new capacity being built in the United Kingdom. It is wide open there. Finnish utilities, even state-owned utilities, are building in the United Kingdom. It is everyone from the chicken farmer to state monopolies from other countries taking advantage of the United Kingdom system, to Canadian companies, to American companies like Texaco.

**Mr Hugot:** Would private industry build and operate a nuclear facility, given the costs today?

**Mr Solomon:** No, I do not believe that. In no area in the world in which market forces are allowed to play themselves out are nuclear plants being built. It is only in jurisdictions that have large central monopolies with a great deal of control.

**Mr Conway:** This is very interesting testimony. I have a question and a request as well. We have a really

interesting set of graphs, but you were reading from some notes, Larry. Do we have a copy of that text? You went through a very interesting litany of things that should be done to the Power Corporation Act beyond Bill 118. I think I have heard you speak on that subject before. I would not mind getting a copy. We would have it in our transcript, but if you wanted to prepare and just send to the committee a version of what you read, you were going through so many stimulating and radical measures I really could hardly keep track. But I was interested.

**Mr Solomon:** I would be happy to provide you with that.

**Mr Conway:** I get your faxes all the time. Generally they are my wake-up call.

**The Chair:** Try something radical, Mr Conway. Be brief.

**Mr Conway:** It is hard to be brief about something this stimulating.

**The Chair:** Then be concise.

**Mr Conway:** He was saying, for example, things about Bill 118 that are at some variance with some of the other testimony. I thought I heard you say that some of the fuel switching and fuel substitution provisions in the Act and the policy that informs it are in fact going to drive rates up.

**Mr Solomon:** That is correct.

**Mr Conway:** Just flesh that out, because there are some—

**The Chair:** Just flesh that out.

**Mr Solomon:** It is going to cost Ontario ratepayers more to fund these programs than they will be saving on their electricity rates. As a result, everybody's rates will have to go up to keep Ontario Hydro solvent. This is one of the factors forcing rates up in the future, the conservation programs. They have not been much of a factor in the past because they have only just started. The conservation programs have not had a chance to work, if they are going to work. But the big money is coming down the pipe now, and based on the Ontario Energy Board's determination that these programs are not cost-effective, we are going to see rates increasing, largely or in part driven by these conservation programs.

**Mr Conway:** The minister himself has told us that with all of these multibillion-dollar demand management and conservation mechanisms he is going to see are in place, we are going to head in a different direction. How could he possibly be wrong?

**Mr Solomon:** Very often the advocates of these utility-driven conservation programs are comparing the new, higher rates they are going to have to some mythical, even higher rates we would have had anyway if we had not put these programs into place.

**The Chair:** We understand that is what the Liberals did with car insurance during the no-fault debate. Mr McGuinty.

**Mr Conway:** Thank you, Minister Kormos.

**The Chair:** No, like you I am an ex-minister, Mr Conway.

**Mr Conway:** My point exactly.

**Mr McGuinty:** Mr Solomon, one of the problems I and I am sure other members of this committee experience as well is that we have difficulties as generalists getting a handle, on some of the numbers that come before us and some of the projections that are made by experts in the field. I want you to comment please on the advisability of our accepting information from Hydro without question.

**Mr Solomon:** When you look at Ontario Hydro's track record, its information has not been reliable. I am not saying that there was any bad intent on Ontario Hydro's part, but Hydro does have an institutional mandate and it does want to see things work out the way it would like them to work out. They would have liked their nuclear plants to perform at high capacity. They would have liked electricity rates to drop. Just a few years ago, they were predicting that electricity rates would drop something like 15 per cent. Instead they have risen 15 per cent. Ontario Hydro is not a very good judge of itself. I would say most entities and most people are not very good at judging themselves. Usually some objective measure is required.

**Mr McGuinty:** Can you comment on Hydro's latest projection that it will be able to conserve, through a variety of programs, some 9,900 megawatts by the year 2010, I believe?

**Mr Solomon:** It was a subset of those programs that we analysed in great detail at the Ontario Energy Board hearings, and the determination quite strongly, and in fact in uncharacteristically strong language, from the Ontario Energy Board was that these programs do not make economic sense. The savings that Hydro projects are extremely optimistic.

**The Chair:** Any brief comments or questions by any other members of the committee?

**Mr Conway:** I will make one last one. I think it is something the committee is really going to want to think about, because in the last week we have heard from the chairman very substantial updates to the demand-supply plan, the bulk of the change being even greater conservation in demand management targets. What you are telling us is that almost a year ago now the energy board agreed with your submission that much of what Hydro was suggesting by way of gains in conservation was illusory.

**Mr Solomon:** That is correct.

**The Chair:** You may well put that to the minister or the chair when they are here. With that, Mr Solomon, I want to thank you very much. Obviously you have provoked some dialogue and thought here. It has been interesting. Your contribution has been a valuable one. We thank you and Energy Probe for your interest and work in this area and for your participation here today. I trust you will keep in touch. I have no doubt about it. Thank you, sir. Take care.

We are now recessed until 1:30, at which time we are going to try really hard to start promptly.

The committee recessed at 1219.

## AFTERNOON SITTING

The committee resumed at 1330.

## MARKHAM HYDRO-ELECTRIC COMMISSION

**The Chair:** Good afternoon. It is 1:30 pm and this is when the Markham Hydro-Electric Commission is scheduled to make its presentation. Mr Klopp is here, Mr Cleary is here, and we are going to commence.

Gentlemen, please be seated and tell us who you are. We have 20 minutes. Please try to keep your comments to less than the first 10 minutes so we have plenty of time for questions and conversation.

**Mr Fabro:** My name is Bob Fabro, general manager of Markham Hydro, and I am accompanied by Bill Burnett, our chairman. I am speaking on behalf of my commission and our customers.

The Markham Hydro-Electric Commission was formed on January 1, 1979. It has grown from an approximate 19,000 customers in 1979 to 48,000 today and for a number of years during the 1980s was the fastest-growing utility in the province. During that period we moved from the 30th-largest utility in the province to the 13th largest.

We pride ourselves in being innovative, having pioneered onsite billing for electrical utilities; progressive by assuming a leadership role in municipal utility transformer station ownership, and efficient through a well-designed distribution and supervisory control and data acquisition system.

We are also proud of our unqualified support for and implementation of government and Ontario Hydro programs designed to promote the wise and efficient use of our product: electricity. We do, however, have serious concerns that these programs are being implemented in an atmosphere of confusion, sometimes panic, and often without sufficient research or information on the ultimate consequences.

It is our conviction that utilities in this province are properly postured and prepared to assume more responsibility and to play a more active role in the design and delivery of demand management programs because we recognize that our customers are the beneficiaries.

Markham Hydro is a member of the Municipal Electric Association and supports its position on the proposed revisions to the Power Corporation Act. We are comforted by the minister's promise to bring forward amendments to restrict policy directives in Bill 118 to those relative to Hydro's current mandate.

Like other utilities that have preceded us at these hearings, we are concerned that the power-at-cost principle continues to be eroded and we are of the opinion that our industry would be better served if Ontario Hydro's board of directors had greater utility representation.

Today we wish to focus on the proposed fuel-switching or fuel substitution amendments to the Power Corporation Act.

As a result of Ontario Hydro's demand-supply plan presently before the Environmental Assessment Board, it was assumed by interested groups within our industry that

demand for electricity would outpace supply around the year 2000, if not before. Recently announced forecasts indicate that there could be 5,000 megawatts of excess capacity by the year 2000.

We understand that the present economic climate and the success of non-utility generation initiatives have significantly altered the outlook for the 1990s. The complexity and degree of assumptions in preparing a long-range forecast of this importance and magnitude are appreciated and understood by Markham Hydro, but Ontario Hydro's ability to reasonably predict future provincial electrical requirements must be seriously questioned. Merely three years after presenting a major planning document, significant revisions are being recommended. How can any major business and economic decisions be made in the climate of such uncertainty?

**Recommendation 1:** That Ontario Hydro and the provincial government develop a comprehensive and coordinated demand management strategy based on reliable forecasts before proceeding with high-impact conservation programs where the probability of success is not necessarily assured and the ramifications not understood.

Markham Hydro has approximately 3,200 all-electric customers, the majority residential, and 7,000 installed electric water heaters. Over the past two years we have witnessed an average of 300 customers per year, 4.5%, convert from electricity to gas. Markham Hydro is not unique in this regard, as other jurisdictions are experiencing customers who are fuel switching based on market-driven factors.

**Recommendation 2:** That the provincial government and Ontario Hydro recognize and acknowledge that customers are converting to gas for space and water heating because market conditions justify this action.

Ontario consumers will voluntarily continue to convert to gas in increasing numbers during the remainder of the decade as the price between electricity and gas widens. Recognizing this eventuality, the need to offer incentives to convert from electricity to gas must be questioned, particularly when the remaining electrical consumers will be saddled with these costs and there has been no demonstrated need to accelerate this activity in this manner.

**Recommendation 3:** That Ontario Hydro not offer incentives or subsidies to consumers to convert to gas for space and water heating.

The level-playing-field question must also be addressed. Ontario Hydro and the municipal utilities service customers throughout the province, whereas the gas utilities will service only those areas where they expect a reasonable return on their investment.

Markham Hydro does not oppose the expansion of gas facilities and service to areas of the province where it is not now available provided that the electrical consumer is not burdened with the cost of such expansion. We suggest that other options are available and should be explored if these projects are to be encouraged and made financially attractive.

**Recommendation 4:** That if the provincial government wishes to encourage gas utilities to expand to presently unserved areas of the province, they should allow them, through changes to the Ontario Energy Board rate-setting process, a greater return on their investment than is now permitted for such expansion.

Markham Hydro and utilities in southern Ontario are generally summer-peaking utilities. Utilities in other parts of the province where gas is not always available have significant space and water heating loads. Recognizing that recommendation 4 would allow more customers in these areas to offer gas, we also support the implementation of a load-shifting program for utilities.

**Recommendation 5:** That Ontario Hydro and the Ministry of Energy provide technical and financial assistance to winter-peaking municipal utilities for the expressed purpose of reducing demand through the control of hot water heaters during on-peak hours.

Fuel substitution is a complex issue. We have attempted to highlight some of the obvious issues with which we are familiar. We have not attempted to deal with external issues such as the impact on the environment, the future supply and price of fossil fuels—particularly gas—efficiency standards or the impact on the manufacturing or construction industry in Ontario. We will defer these issues to those most capable of addressing them.

The fuel substitution amendments in the Power Corporation Act, as proposed in Bill 118, have significant ramifications to the province, the electrical industry and the customers we serve. Markham Hydro requests that you give serious consideration to our recommendations, which can be summarized as follows:

1. Ensure that a comprehensive, well-thought-through demand management program, based on reliable projections, is in place before committing this industry to fuel substitution.
2. Acknowledge that market forces are directing customers to convert from electricity to gas.
3. That voluntary fuel switching will continue to increase as electricity becomes more expensive relative to gas, and subsidies paid by electrical consumers are opposed by Markham Hydro.
4. That gas utilities be allowed a greater rate of return than at present to expand to presently unserved areas.
5. That assistance be available to winter-peaking utilities for the purpose of introducing load-shifting programs at the local level.

The original 25-year demand-supply plan implied that blackouts were imminent unless decisions were made immediately. If you accept the recently announced Ontario Hydro projections, there is time to make reasoned, intelligent decisions without the threat of the lights going out, and we encourage this committee to reflect this in their recommendations.

I hope we have demonstrated, in limited time and with limited resources, that our proposals are not self-serving but genuinely interested in doing what is best for Ontario and its consumers, whether electrical or gas, whether they live in Markham or elsewhere.

I thank you for your time and I welcome any questions.

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**The Chair:** Thank you, sir. Three minutes per caucus. Mr Jordan, please.

**Mr Jordan:** Thank you, gentlemen, for your presentation. I think it is a very fair assessment, especially for the fuel-switching aspect of Bill 118, and I would certainly stress, with you, the importance of letting the marketplace control the fuel switching. If we do get into a lag where we think we are in trouble in Hydro and we need assistance, then start revealing some incentive money, if necessary, and decide who should be doing it: the gas company, Hydro, joint effort or whatever. But to want to get into that right now—and, as you have said, you experience a summer peak—what would fuel switching do for you?

**Mr Fabro:** Fuel switching would obviously reduce our peak, but it would reduce it in the summer and Ontario Hydro is a winter-peaking utility. So it would not have significant impact on the peak for Ontario Hydro, which is the—

**Mr Jordan:** Which is the real problem.

**Mr Fabro:** Which is the real problem. That is why we went further and recommended that those utilities that are winter-peaking utilities be offered assistance beyond what is happening with fuel switching, to shave that peak, through financial and/or technical assistance by Ontario Hydro or the ministry.

**Mr Jordan:** It was pointed out this morning that, as the Gold Medallion home and the general all-electric homes with baseboard heat switch to a forced-air system, they are now real candidates for air-conditioning and that again this is going to affect the summer peak.

**Mr Fabro:** Correct.

**Mr Jordan:** Do you feel, due to the recession, there is that much time for Ontario Hydro to back up and replan how it is going to supply energy to meet that peak in the next 10 years?

**Mr Fabro:** I have reviewed the recently revised plan that will be going before the Ontario Energy Board, I think next week. I had problems with accepting some of the figures in the original plan because I did not think they accurately reflected the situation, but of course I am not an expert in that. I have some reservations about the revised plan, but one thing is clear: There is time, at least until the year 2000, to review thoroughly before any major decisions are being made.

I am on a number of committees with the Municipal Electric Association that work with Ontario Hydro on some of its demand management programs. I have been constantly amazed at how quickly decisions were being made, not only in fuel substitution but in many areas, just because there was the threat, according to the original plan, that the lights were going to go out. That threat has been apparently removed. It gives everyone much more time, to my way of thinking, to sit back, take a deep breath and have a sober second look at where the heck we are going and to determine if the projections are accurate.

They have spent many years and many dollars on a significant demand plan, and three years after come out

with major revisions and justify it by saying, "Well, times have changed." I am sure they have. They say, "Three years from now we're going to come out and adjust the plan again," and I encourage them to do that. But there are significant shifts within the total revision. Three years after the original plan was submitted, how can fossil fuel plants all of a sudden become a major part of a revised plan they were not part of three years ago? Has technology changed that much in three years?

**Mr Huget:** Thank you for your presentation. There are two things I wanted to touch on. One of them is the fuel-switching initiatives. I think there is always a relationship made to natural gas, but there are obviously other sources of energy. I would like your views on the complexity of that and what you will be doing around those issues, particularly what your municipal electrical commission could provide in terms of guidance when programs are developed for fuel substitution and what legitimate role you would see in that.

**Mr Fabro:** Fuel substitution occurring now, particularly at the residential level, is occurring because the gas company is going into unserviced areas and making gas available primarily to all the electric subdivisions installed or built many years ago.

The role we would play in fuel substitution would be, I think, a passive one. The gas company, if it wants to go into these areas and have our customers convert to gas, should be in the position to convince them that it is economically viable and let the individual consumer make that decision based on the economics. There is no doubt about it that the payback on converting from electricity to gas, even at today's prices, is three or four years, less for the residential consumer in some instances.

From an industrial and commercial standpoint, I think there is room for the gas company and the utility to work together for the benefit of the consumer. That is a little more complex than the residential side of it, but there is room for cooperation in that area.

**Mr Huget:** But currently you see a role for your commission and the utilities?

**Mr Fabro:** Yes.

**Mr Huget:** The last point is that Ontario Hydro has committed a fair amount of money to energy efficiency and conservation. I would like your views on that from your commission's perspective, and I would like to know if public awareness and education and the funding which would come for that from Hydro is effective or can be effective, and whatever suggestions you would have about that.

**Mr Fabro:** Our position is that, as indicated in the brief, we support demand management initiatives. We support them primarily because the customer will end up spending less for his electrical needs, and anything we can do to reduce his costs we are in favour of.

We support the demand management initiatives presently being assisted through some form of incentive by Ontario Hydro, if the program is thought through. It has introduced some very good programs. We have done a very good job of working with Ontario Hydro, I believe, in

making our customers aware of them. There are some programs we have not supported as enthusiastically as we might because they were not thought through. We were not consulted as to what would be best for our customers. We felt that if we had more input both in the design and the method of delivery, they could have been more effective.

Our biggest concern is that if we are spending a dollar for a demand management program, are we five years from now going to say that we have anywhere close to a dollar in return? I think some programs will not stand the test of time because they were being rushed, and they were being rushed because of the threat of the lights going out and people not taking time. I put fuel substitution into that same category. I think fuel substitution has a role to play, but we are going into it without enough forethought and review of the consequences.

**Mr Cleary:** Gentlemen, thank you for your presentation and especially your recommendations. It is always helpful to the committee when an organization like yours recommends how it feels about what direction we should be going.

One thing you may not have touched on, though, and which I would like a little bit more information on is the present board of directors and the proposed board of directors. How do you feel about that?

**Mr Fabro:** I think our position would be similar to that of other utilities. One, we do not think the board should be expanded. Two, we think the board should operate independently, or more independently than is being proposed under Bill 118.

Of course, because we feel we know our customers and are close to our customers and are more aware of the industry, a bigger or larger representation of utility people would immeasurably assist the future direction of Ontario Hydro, because we would be in a position to understand the issues and make more informed decisions. That is not to say they have to be a preponderance, but more than the present two.

**The Chair:** Gentlemen, we have one very brief question from Mr McGuinty. You will not be kept here very long by him.

**Mr McGuinty:** Gentlemen, you mentioned something I found rather interesting. You are telling me that if we proceed with fuel substitution it will alleviate a winter peaking problem, but that the summer peaking problem remains nevertheless. Is that correct?

**Mr Fabro:** Ontario Hydro is a winter-peaking utility. It is our opinion that if in fact fuel substitution is going to have impact, it should have impact on those utilities that are winter-peaking to assist Ontario Hydro. Sure, fuel substitution will help utilities that are summer-peaking, but I think if you talk to Ontario Hydro, it is more concerned about the winter peak than the summer peak. But fuel substitution will also help in the summer for summer-peaking utilities.

**The Chair:** Thank you, gentlemen. I tell you on behalf of the committee that we appreciate your participation, your attendance this afternoon. We trust you will keep in touch with your own MPP, as well as the critics for the

respective opposition parties and the parliamentary assistant and the ministry. Your participation is sincerely appreciated and is very important.

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#### POLLUTION PROBE

**The Chair:** The next participant is Pollution Probe. Please have a seat, tell us who you are and tell us what you want to tell us. Try to leave us 10 of your 20 minutes for questions and conversation, gentlemen.

**Mr Gibbons:** Thank you for giving us the opportunity to speak to you about Bill 118.

I am Jack Gibbons, an economist with the Canadian Institute for Environmental Law and Policy, before I joined the Canadian institute, I was a staff member of the Ontario Energy Board. I have with me Mr Bruce Lourie, who is helping Pollution Probe with its intervention at the Environmental Assessment Board with respect to Hydro's demand-supply plan.

We have prepared a brief on behalf of Pollution Probe which addresses the fuel-switching amendments in Bill 118. Very simply, it is our position that these amendments are in the public interest because they will allow Ontario Hydro to act in the manner that is consistent with the principles of sustainable development. Put another way, it will allow Ontario Hydro to act in a manner consistent with meeting our energy service needs at the lowest social cost.

There have been a number of criticisms of the fuel-switching amendments by municipal electric utilities. In August of this year, the Municipal Electric Association put out a position paper on Bill 118 which outlined its objections to the fuel-switching amendments. In our brief, we have attempted to address those criticisms. I am now open for questions.

**Mr Cleary:** As I asked the other witness just prior to your presentation, I take it you are satisfied with the present makeup of the Ontario Hydro board. Or are you in favour of the proposed change?

**Mr Gibbons:** We were curious as to what the rationale was for the increase in the number of board members but right now do not necessarily have a position either for or against the change.

**Mr Jordan:** Are you basically in favour of Bill 118?

**Mr Gibbons:** Yes.

**Mr Jordan:** All parts of it?

**Mr Gibbons:** I am here representing Pollution Probe, but I am not an employee of Pollution Probe. My submission just addresses the fuel-switching amendments. I really only have authority to speak on the fuel-switching amendments, which Pollution Probe is in favour of. I could express some personal opinions if you want to address them, but only as long as you realize I am giving you personal opinions on other areas of Bill 118.

**Mr Jordan:** They would be welcome, yes.

**Mr Gibbons:** Your question is, am I generally in favour of Bill 118?

**Mr Jordan:** Yes.

**Mr Gibbons:** Yes, I am generally in favour of it. It seems it will increase the accountability of Ontario Hydro to the government, which I think is a good idea.

**Mr Jordan:** And the other portions of the bill, relative to the board of directors not being accountable for its actions and the increase in the number on the board?

**Mr Gibbons:** As to the size of the board, I believe the original rationale for increasing the size of the board was that government was afraid the majority of the board of directors would not be sympathetic to their new government policies. There was a need to increase the size of the board to deal with that problem, and I certainly have sympathy with that objective. I think there have been a number of resignations since the bill was first introduced, so maybe that rationale is no longer there. Maybe you do not need to increase the size to ensure that Ontario Hydro operates in a manner consistent with government policy.

**Mr Jordan:** Do you not think a director serving on a board would exercise his responsibility independent of his political affiliations?

**Mr Gibbons:** I am sure he would. But I think the government is the shareholder, and I think shareholders have a right to make sure a board of directors is acting in a manner consistent with their objectives. The prime objective of Ontario Hydro should be to meet energy service needs at the lowest social cost. I certainly think the government has a right to make sure that the people who are on the board are sympathetic with that objective and will promote it.

**Mr Jordan:** Then what we are saying is that the Ontario Hydro board will be basically run by the Ministry of Energy, and that the directives will come from there to the board and they will be carried out, as the bill says, immediately.

**Mr Gibbons:** Yes, when there are directives. But I am sure these directives are going to be just broad public policy directives. It is not going to tell them who to buy staples from.

**Mr Jordan:** Oh no, but surely we are not going to pay a chief executive officer, the president, to decide where to buy staples?

**Mr Gibbons:** No, but somebody in Ontario Hydro will.

**Mr Jordan:** You are saying that the president has been downsized to just daily operations and policy and that directives will be done by the Ministry of Energy?

**Mr Gibbons:** Well, they would be broad directives. To implement those broad directives, you are going to have to make a lot of very difficult decisions. I do not expect that the Minister of Energy or the cabinet is going to try to figure out all the nuts-and-bolts decisions of how Ontario Hydro should operate, but purely, I would assume, general policy rules. I think that is quite appropriate.

**Mr Jordan:** Supposing, just a scenario, that a policy directive to the board from an engineering and administration assessment is not helpful for the utility, but the CEO says, "You carry it out."

**Mr Gibbons:** If the CEO does not believe in it, I think he should resign. If he does not believe the government policy directives are in the best interests of the corporation or the province, if he fundamentally disagrees with them as a matter of principle, I think he is honour bound to resign and state why.

**Mr Jordan:** What if his board does not think so?

**Mr Gibbons:** If he is bored, I guess he should resign too, if he wants some more interesting work elsewhere.

We had the same issue when Mr Diefenbaker was Prime Minister and James Coyne was the governor of the Bank of Canada. He did not want to undertake government policy and eventually was forced to resign. I think that is the way it should be, and I think now, in the Bank of Canada Act, it explicitly states that if the governor of the Bank of Canada is not willing to implement government policy, he should resign. I think it should be the same here.

**Mr Jordan:** So then, bottom-line, a fair assessment would be that the Minister of Energy is now the Ontario Hydro board and all major policy directives will come from there.

**Mr Gibbons:** It could. The minister may not give directives in all areas, but certainly they will have the opportunity to do so, and in a democratic society, that is appropriate for a crown corporation.

**Mr Jordan:** I believe you stated earlier there have been some resignations.

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**Mr Gibbons:** I believe so.

**Mr Jordan:** Perhaps they would be related to the fact that a board member is no longer allowed to think and have an opinion and add input without being accountable. They say, "Just go ahead and approve the directive."

**Mr Gibbons:** I cannot speak for the board members who resigned and the reasons they resigned. That may be their opinion of why they are resigning. I am assured that directives will be sufficiently broad that there will be a tremendous opportunity for board members still to think and that there will still be a tremendous discretion for them.

**Mr Jordan:** I guess I am just having difficulty seeing the need for this type of dictatorial power, if you will, to a board. They now have the right, under the present act, to issue a policy statement to the board.

**Mr Gibbons:** Right.

**Mr Jordan:** I think any board of directors getting a policy statement from a government is certainly going to give it serious consideration and use all the expertise and knowledge it has and then report back to the government with the reasons it could not follow that policy statement. I do not see that they have that freedom any more.

**Mr Gibbons:** I grant you that it reduces their freedom, but again, I think that is appropriate. I remember that back in the days when Mr Davis was Premier people would often criticize Ontario Hydro, and the government of the day would say, "That's very well, but Ontario Hydro is independent and we can't do anything about it." So Mr

Davis's government was able to absolve itself from responsibility for what Ontario Hydro was doing. I do not think that is appropriate, especially as I believe Mr Davis gave directions to the chairman of Ontario Hydro privately in his office over the phone. Here we are making it upfront. Nothing has really changed.

**Mr Jordan:** How do we assume that a Premier did these things?

**Mr Gibbons:** I have been around for a while. I know quite a few people in the energy business, I know people who were prominent in Mr Davis's government and I have been told this. I think it is common knowledge in the energy business that the Premier has always had direct access to the chairman.

**Mr Jordan:** Well, they would have communication, but I am talking about issuing a directive. Issuing a directive in the form of a statement is different from issuing a directive that sets the policy position for Ontario Hydro without question.

**Mr Gibbons:** I agree with you that there is no question there is a change.

**Mr Jordan:** Do you think it might have been a better move to have let the Ontario Energy Board have a little more power and let it be the governing body to assess and follow up on direction with Ontario Hydro, rather than having the Minister of Energy, who could change every four years or so, coming in with new positions for a corporation of that size?

**Mr Gibbons:** There are a number of ways I can respond to that. First of all, the Ontario Energy Board changes quite often too. The chair of the OEB has changed quite often. The composition of the board members of the OEB changes quite often. Yes, generally I believe they probably should have more authority over Ontario Hydro, but let's face it, the members of the Ontario Energy Board are appointed by the government too and are not elected representatives.

I really think ultimately the elected representatives are the people who should be accountable for what Ontario Hydro does, so I think these proposed amendments that make the government accountable for what Ontario Hydro does are appropriate. I also agree that the Ontario Energy Board's power should probably be broadened too, so that it can give a more thorough review to what Ontario Hydro does.

**Mr Arnott:** Gentlemen, I am sorry I did not hear your presentation but I have had a few moments to look over it. I just wanted to ask you if, in your own personal opinion, naturally, looking down the road five or 10 years, you can foresee any negative impact or consequences of Bill 118, or is it all going to be wonderful?

**Mr Gibbons:** That is very hard to say. Obviously the government now has the ability to give policy directives, and certainly it could give bad policy directives. If they give bad policy directives, bad things will happen. Similarly, they can give good policy directives and good things may happen.

Getting back into the fuel-switching amendments, I think this will permit Ontario Hydro to promote natural gas and other fuels when they are cheaper. That will lead to a very significant reduction in our energy costs and in environmental damage. I think that will provide great benefits for many years to come.

**Mr Arnott:** So giving the power and the authority to the Minister of Energy to issue binding policy directives may very well lead to consequences that are going to be negative.

**Mr Gibbons:** Theoretically, of course it could.

**Mr Klopp:** You have interesting remarks. You brought up that policy directives were probably given over the phone versus that this is going to make it very clear to any government that is elected that it cannot use, "We're not part of the program." You think that is a good thing, right?

**Mr Gibbons:** I do, yes.

**Mr Klopp:** So I cannot use the excuse, "Well, Ontario Hydro is over there," no matter what happens.

**Mr Gibbons:** Right.

**Mr Klopp:** One of the things that has bothered a lot of people including myself, and it has been batted around, is that every three or four years Ontario Hydro makes a projection and then it seems to be totally in the wrong phase. I remember back in the 1970s, in the glory days of electrical consumption, that we were going to need more megaprojects, that we were going to be blacked out in 1978. I believe it was not too many years later that they said, "Whoops, we made a mistake."

**Mr Gibbons:** Yes.

**Mr Klopp:** The point was made a few minutes ago by another person that it was not that long ago that they said, "We need to double the debt, we need 10 more nuclear plants," and now this is another version. Does that really bother you that much, that they have these changes?

**Mr Gibbons:** Sure it bothers me. They have made many errors in the past. As a result, we have greatly overbuilt the electrical generation and transmission capacity. We are using electricity where often other fuels could provide our needs at a much lower cost. Yes, I think that is a very serious problem. It is terrible what has happened. But I also think Hydro is now moving in the right direction. They have been scaling down their projections of how much electricity we are going to use. They have been saying, "We're going to buy more NUGs." They say, "We're going to do more energy efficiency." They say, "If this bill is passed, we're going to do a lot of fuel switching." So we are moving in the right direction now anyway.

**Mr Klopp:** How does this bill do that if this bill is passed?

**Mr Gibbons:** It permits fuel switching. Natural gas is so much cheaper than electricity. Look at space heating. If we just look at the financial costs—forget the environmental costs—the incremental cost of electricity for space heating is about six times that of natural gas. It is just crazy to use electricity for space heating, but in 1989 50% of the multi-residential units in this province used electricity for

space heating. It is just absolutely crazy. Ontario Hydro has always said in the past: "We can't promote alternative fuels. The Power Corporation Act forbids us." Now, if this amendment is passed, they can have beautiful TV advertisements sponsored by Ontario Hydro and Consumers' Gas saying: "Look, gas is much cheaper than electricity for space heating, water heating, clothes drying and cooking. Also, it is much better for the environment; it is much cleaner. Please use natural gas whenever possible." That could have a profound impact on people's choices. It would cost very little for those TV ads, compared to the immense financial and environmental benefits. The possibilities are wonderful now for us very cost-effectively making some very rational decisions.

**Mr Klopp:** Very quickly, it does not say anywhere in this bill or amendments to this bill that the company should still not review every day that these things are really happening so that they do not need to build new nuclear or new any kind of plants, right?

**Mr Gibbons:** That is correct.

**Mr Klopp:** We are not stopping the continuous checking and double-checking of the figures.

**Mr Gibbons:** In no way.

**Mr McGuinty:** Thank you for attending, gentlemen. I have a couple of questions. First, if I had been sitting on this committee simply as a ratepayer I would be rather confused. I am wondering, who can look out for my interest best? Is it government? As a ratepayer, I do not really trust government these days.

**Mr Klopp:** Based on your experience?

**Mr McGuinty:** What about my public utility commission? They seem to be closest to me. What about those directors on the board? Maybe I will focus on this issue. I am concerned about the fact that government is telling my directors, the people who are in law accountable to me and who owe me a fiduciary responsibility—they have to look out for my interests. That is what it means, Paul, to look out for my interests. I am wondering why you would advocate on behalf of that particular provision of Bill 118 which says that the directors will be able to shelter themselves from liability. They will be exempt from liability as long as they do as they are told. I am wondering how that could be in my interests as a ratepayer.

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**Mr Gibbons:** Clearly it will only be in your interests as a ratepayer if the government gives them directions that are consistent with your interests as a ratepayer. The fundamental reason I support it is that I believe in the democratic process. I believe politicians should be responsible for our crown corporations.

I also think Ontario Hydro's mandate is much broader than just keeping your rates as low as possible. It also has to act in a way that is consistent with minimizing environmental costs. In the past Ontario Hydro's board of directors has said, "Our primary responsibility is to keep the rates low." As a result, they have built generating stations which have had very significant negative impacts on the environment. That may be good for keeping your rates

low, but it is not good for future generations, which do not have any votes and do not pay bills at the moment. As a fundamental democratic principle I believe the Legislature, the people who are elected as government, should have the responsibility.

I also think that often the people from the Legislature have a better understanding of the public interest than utility people. Let's be quite frank: The board of directors of Ontario Hydro in the past has mainly been a rubber stamp for the senior management. They have not disciplined it. They have let the senior management do what it wanted and often the senior management has not done what was in the public interest. They have gone ahead with nuclear power. It has been incredibly expensive. I do not think that was in the public interest.

Ontario Hydro has promoted electric heating for years, which is the most expensive way to heat your home. That was not financially responsible. Why did they do it? Fundamentally, they wanted their empire to grow. They were engineers and they wanted to have a bigger empire. They wanted to produce electricity, but that was not responsible. It was not in the best interests of this province from an economic point of view or an environmental point of view. It was just in the best interests of this big entity called Ontario Hydro.

**The Chair:** That, gentlemen, is going to have to be your closing commentary for this afternoon. We appreciate your coming here and taking the time to participate in these hearings. The committee will undoubtedly read your submissions with great care, perhaps even follow up on whatever footnotes there are, read the references there. Thank you very much. Take care.

JIM HARRIS

**The Chair:** The next participant is Jim Harris. Two pieces of written material that are filed form an exhibit. I am trusting that you will not read from those, but rather will highlight the issues and then give us time for questions.

**Mr Harris:** In fact, what I have to say does not touch on those papers. They are merely background papers.

The key factor in determining what source of energy we should use should be an economic one: looking at payback. The way Hydro currently operates is that it will build large plants for us, nuclear or fossil fuel, whatever, and amortize the cost of those over a 40-year period and charge us as consumers pennies per bill over a 40-year period. But if we look at how conservation works right now, if I as a user want to be environmentally responsible, I have to go out and buy a \$25 compact fluorescent lightbulb and get my \$5 back from Hydro and save energy that way.

We need to begin looking at conservation as a source of power for the whole system, because if I retrofit my house with energy-efficient lightbulbs, those kilowatt-hours go back into the grid for someone else to use. We need to begin thinking of an energy-efficient fridge as a power source, triple-glazed windows as a power source and energy-efficient lightbulbs as a power source.

Let's compare the economic payback. If I have to buy a \$25 lightbulb out of my pocket, I want a payback of one year. If I am in business, I might want a payback of two

years but at maximum five years. But on the supply side Hydro is willing to go out and amortize for 40 years and charge back.

Let's take one year versus 40. That favours supply 40 to 1 over conservation; there is an economic incentive for more supply. But if Hydro were to become a leasing utility and buy all these conservation appliances and amortize their cost over 40 years, just as it amortizes supply costs, and charge them to me as an end user the same way it charges me for new supply, you would see conservation going rampant throughout Ontario. What I am arguing for today is a level playing field. Let's make it a one-year payback across the board, and you will never see any nuclear, any fossil fuel, any large plants, anything. But if we took it up to a 20-year period, you would see less nuclear and more conservation, and if we took it up to a level playing field on a 40-year period, you would see a whole lot of conservation. In essence, the environmental imperative demands that Hydro begin viewing conservation in this way.

Amory Lovins, from the Rocky Mountain Institute, has shown that we can do absolutely everything we do in our society using only one quarter of the energy. That is not only electricity, that includes fossil fuel use as well. It is funny that Hydro had never consulted Amory, the leading expert in the world on conservation, until the EAB hearings began a year and a half ago. That was the first time they had ever consulted the world's leading expert on conservation.

If you look at the staffing levels within Hydro, you see 10,000 people employed in the nuclear side and a drop in the bucket on the conservation side. I used to use the figure of 400 until I was debating a Hydro guy who said it has to be more than 400 now. I do not know what the latest figures are, but if you look at where the priorities are in terms of staffing, Hydro sees itself as a nuclear utility.

The advanced house is here in Toronto and it shows that by retrofitting a house—well, they actually constructed efficiency into that house, and it uses only one quarter of the total energy inputs that a traditional home uses. In fact, it is more efficient than R-2000, so we need to put R-2000 in our building code, for instance. A very simple solution for cutting down on our use of energy for air-conditioners is to have trees which have leaves in the summer and protect the southern exposure of the house, therefore shading the house. In the winter all the leaves fall off, allowing the sun to hit the house and heat passively. Just simple solutions such as designing into your buildings energy efficiency will greatly increase what we are doing.

Perhaps one of the greatest reasons to do the fuel switching is that it is the peaks that drive supply. Whenever you have a peak in power, you have to have that capacity to supply it, and the peaks all come in the winter, so it is the winter peaks that are continuously driving new supply to come on line. It is the winter peaks that drive the electric baseboard heating and put those peaks through the roof. Fuel switching is a tremendous saving, not just from the costs, because I have gone through the other studies, but from the avoided cost of having to build new supply. We have to take that avoided cost of the billions to build

the new supply into account, more than just the saving of gas or oil over electricity.

Finally, I want to turn to a more fundamental reason—I do not know how I am doing for time; we have to have some questions—for why we really need to change. If we look at the population of the earth, there were about 250 million people alive in Christ's time. Today, there are 5.3 billion. If you plot it on a graph, you get exponential growth; our population worldwide is doubling every 39 years now.

We in Canada consume more energy per capita than any other people in the world, so how can we, in good conscience, go to the Chinese, who now plan to build quite a number of coal-fired plants, and say, "No, you can't build those coal-fired plants because you're going to accelerate global warming"? How can we, as the most energy-intensive people, go to them and say that? We have no right to do that. It is we who have to begin by cutting back. Our environmental security is now interdependent and we lead the way. We show developing nations a vision of their own future, and if we do not begin cutting back, if we do not begin conserving, the whole earth game comes to an end very quickly.

If everyone in the world were to consume as much as we do, the predictions about the accelerated rate of global warming are just staggering. Scientists down at Harvard and Princeton and Yale are alarmed already, but if everyone else were to consume what we do, it would all be over very quickly.

I have read scientists E. O. Wilson at Harvard and Paul Ehrlich at Stanford and Richard Falk at Princeton, and together they tell us we have only 100 years left on earth. Now this is pretty impossible to conceive of, but if you think that the car never existed 100 years ago and today there are 400 million, and by 2000 there are going to be 600 million, each producing its own weight in carbon dioxide every year, it is little wonder that worldwide levels of CO<sub>2</sub> have been increasing so dramatically.

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E. O. Wilson is a botanist who studies species extinction and he has shown that in the historical course of time a species has become extinct once every 2,000 years, but currently species extinction is running at the rate of one every 25 minutes. By 2,000, 10% of all remaining species will have disappeared from earth for ever and all species will come to an end in 100 years.

Now that is the bad news; the good news is that this is like Dickens's *A Christmas Carol*. This is the ghost of the vision of the future, a rather bleak harbinger of bad news. The good news is that we can wake up and realize it is still Christmas morning and there is still time to change.

So you, as a committee, have an incredible responsibility, because you are making a decision not just for Ontario; you are making a decision that will affect the rest of the world, because we are the most energy-intensive country in the world. Where Ontario leads, it will affect, for instance, China's decision to build new coal-fired plants. It will affect how developing nations view their futures. If we cannot cut back to an Amory Lovins kind of model of using only one quarter of the energy we currently use, the

whole future is doomed. The challenge is for this committee to take a world leadership position in getting aggressive on this fuel switching.

I have just one last point that came to mind: It is far more efficient to burn a fuel at source and get heat out of it than to burn it at a large plant, lose 30% of the energy in conversion, then lose 7% in transmission, to end up with heat at the final source. You are far better off to burn it at source and get full 100% value out of that oil. If we are going to burn oil and add to global warming, we might as well do it at source and increase the efficiency greatly. Thank you.

**The Chair:** Thank you, sir. Mr Conway, two and a half minutes.

**Mr Conway:** Thank you, Mr Harris. I feel as though I have gone to a religious revival and someone has offered to save my soiled soul.

Let me ask you a question that I have put to a couple of previous witnesses and that is, is it possible to enter this New Jerusalem that you talk about without me, as a typical Ontario citizen in the 1990s, having to change my lifestyle to any extent? Is it possible that I am going to be able to do all that Lovins wants without my lifestyle showing any change?

**Mr Harris:** Lovins takes the view that we can do everything we currently do—without changing our lifestyle, in other words—and still use only one quarter of the energy.

**Mr Conway:** Thank you, that is all I need to know. So it is going to be painless.

**Mr Harris:** Yes.

**Mr Conway:** Good. That is it, that is all I need to know.

**Mr Harris:** I do not want to give you a wrong impression. It is going to be painful in that it is going to require retrofitting all households. It is going to require bringing in new standards of R-2000. It is going to require all sorts of changes.

**Mr Conway:** That is kind of painless. That is going to be a few dollars maybe here or there, but I am just this energy pig living in Upper Canada and I just consume in a way that would make me look pretty embarrassed and naked in front of the world community. So I want to stop being an energy pig; I want to be ready for the New Jerusalem.

**The Chair:** Hold on, Mr Harris. He may be in the process of inviting you to his cottage.

**Mr Conway:** What I need to know is, am I going to have to forgo any of this sort of lifestyle that has been part of my extravagant past? Am I going to notice anything? Is it going to hurt?

**Mr Harris:** Amory would not think so, but I think we are going to have to go farther than Amory; it is going to have to hurt us. For instance, our great-grandfathers got along fine without a car. We have become addicted to a car.

**Mr Conway:** Now you are talking.

**Mr Harris:** We are going to have to begin changing our lifestyle with energy consumption on cars as well.

**Mr Conway:** Now you are talking. You are talking to a rural boy here, so I might just have to take a second look at my half-ton truck in my big, vast rural expanse there in eastern Ontario.

**Mr Harris:** Well, more for city dwellers, because rapid transit—we are getting off the topic here—is 80 times more energy-efficient than the private vehicle. We are going to have to begin changing our priorities and investing more in mass transit than private transit.

**Mr Conway:** It might hurt a bit. Thank you.

**The Chair:** Mr Jordan.

**Mr Jordan:** Thank you very much for your most interesting observations and presentation and your faith in the future, provided we change our way of life.

I just wonder, in all practical thinking, suppose in five years' time that Ontario has recovered from this serious recession we are in and industry is back in the province, the province is booming again, as it did for 42 years, and everything is humming well, the Premier is calling the chairman of Hydro on the phone and everything is going just fine. But we need kilowatts to feed the industry and we have to have them before they actually come, to show that they are in the design stage and will be ready to deliver. Taking that your conservation programs have been in effect, they have done the best they can, the rates kept going up, what is your solution for industry then?

**Mr Harris:** Amory Lovins, for instance, went into Compaq Computer Corp and he retrofitted its entire lighting system by providing reflectors over the lights, which increase your effective lumens so that light is not being wasted going into the ceiling. He saved Compaq \$250,000 a year.

**Mr Jordan:** What would he do with steel plants?

**Mr Harris:** The Japanese have increased their efficiency of steel plants by not pouring into ingots and then heating up again and going to cold rolling, then heating again and going to hot rolling. The Japanese, for instance, have cut their energy usage by over 50% on their steel industries. We still go through ingots, cold rolling and hot rolling.

**Mr Jordan:** That is fine, but I want to make it clear. We have used all that expertise that we have, my back is against the wall—

**Mr Harris:** No—

**Mr Jordan:** No, but as we progress on. Then you come in as an industrialist and you tell me how many megawatts of power you are going to need in a year and a half if I want you to come and employ 1,000 people in the province. Now the manufacturer is willing to put all that technology into place, he is willing to use the most modern equipment, but still he needs this much load. What are you going to do?

**Mr Harris:** What I am trying to show is that if every house in Ontario were retrofitted—

**Mr Jordan:** No, I am sorry, we cannot do it through retrofit. Let's say we admit we have done everything we can through retrofit, through conservation, and I have to make it. How am I going to do it?

**Mr Harris:** But retrofit right now would allow us to go down to 25%. There is a lot of energy on the grid left over. We are oversupplied right now.

**Mr Jordan:** I understand that. You never see a day when I will have to generate some?

**Mr Harris:** I am saying if everybody in the world consumes as much energy as we do right now, the whole game is over, and what right do we have to go to developing nations and say, "No, you can't build those coal-fired plants"? We are way oversupplied right now.

**The Chair:** Mr Jamison, and leave enough time for Mr Wilson, please.

**Mr Jamison:** You spoke about basically the peaks in your studies that occur during the winter period.

**Mr Harris:** We are there.

**Mr Jamison:** So the whole purpose of switching from one energy source to another to really shave those peaks is a very important aspect. Secondary to that, I just have to comment on this because I spent 20 years in the steel industry and can assure you that there are major energy initiatives. It basically means money, the bottom line, to those companies at this point that are going on, hot rolling directly from one furnace on a slab right through.

**The Chair:** Let him answer the question, Mr Jamison.

**Mr Jamison:** Anyway, the whole initiative is to ensure that we do not have the peaks that indicate building more facilities, and the switching is in fact a major effort in allowing us to ensure that we do better with what we have. Is that the case?

**Mr Harris:** Yes. There is a very interesting device that is very inexpensive that you can put in your home. It is a fuel-switching device and it says, "We never want our household load to go over X," so for instance if our fridge is kicking in, the laundry machine is on and the kids are watching television, you prioritize and you say, "The laundry machine has to go off for a short while until the fridge goes off. Then the laundry machine can go back on." What it does is flatten the load for households at very little cost. It is a little box and it gets wired into all your appliances; a very easy way to load-shift. Basically it does not require consumers to make any lifestyle changes because it is invisible to them. They do not see whether the laundry machine goes off now and comes back on two minutes later. We have to think about that load switching. But load switching is different from conservation. It still has a high base. We need to get below that base to conservation. But load switching is a very effective short-term strategy to flatten those peaks.

**Mr G. Wilson:** Just a comment on your very interesting submission. I wonder what your attitude is when you speak to a group here and the first question you get is that it is too painful to make changes, yet you are saying 100 years down the road all species will have disappeared, which sounds rather painful to me, at least to my successors, my kids, who I hope will have kids as well. How do you respond to that kind of question?

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**Mr Harris:** Right now we just measure GNP, and if GNP increases, that is good. But there is something else that is invisible to us. That is GEP, gross earth product. Whenever we raze an entire forest, GNP increases but GEP decreases. Whenever we extinguish the life of whales, the Japanese GNP increases because they have whale meat, but GEP decreases. Whenever the Exxon Valdez spews its oil all over the place, GNP increases because of the \$2 billion they have to spend on the cleanup, but GEP decreases. Right now our whole system values "Increase GNP, increase GNP," and it is always at the cost of GEP. But the earth is not something that will continue to give indefinitely. We are seeing limits and we are getting feedback through species extinction. They are voting with their feet. They are saying, "You're making life so intolerable on this planet, we're checking out," and they are doing it at an alarming rate.

We cannot even eat the fish in Lake Ontario. We should begin clicking in here that there is something very wrong if you cannot eat the fish. Bottled water sales have gone through the roof. Why? People do not want to drink the water any more. What are we going to do when we cannot drink the water, when our food is poisoned because of acid rain dropping on our farmers' topsoil? The whole game is up and we do not see it. We are going through a process of denial. That is the first stage when a relative dies; you go through denial and then anger and bargaining and so on. But we are denying what is going on, and we have to come to terms.

Listen to E. O. Wilson. Listen to Richard Falk. These are people far more knowledgeable than I. These are people who are in our highest institutions, our top scientists, telling us alarm bells are going off.

**The Chair:** Mr Harris, on behalf of the committee, we thank you for taking the time to come down here this afternoon as well as for the written materials that you have filed. I know you want all of us to update the brochure called *Hydro Wants \$100,000 from You* by deleting, "Call or write Premier David Peterson" to read, "Call or write Premier Bob Rae."

**Mr Harris:** I am very sorry about that oversight. That was actually produced during the last election and I submitted it for background.

**The Chair:** I was very optimistically assuming that. Thank you very much, sir. We appreciate your interest, your enthusiasm and your time. Take care.

#### UNION OF ONTARIO INDIANS

**The Chair:** The next presentation is by Alan Roy of the Union of Ontario Indians. Sir, please be seated. We have your written material, which will form part of the record by virtue of being an exhibit.

**Mr Roy:** Thank you for the opportunity to talk to you. I will not follow the brief exactly. I just want to talk about the three issues that I have outlined in my brief in the context of the legislation.

Let me start by saying I will not take you through any religious revivals. I am going to deal more with process

and accountability and how all of us can control the things Hydro does in the future. That is the crux of the legislation as I see it, and the Union of Ontario Indians supports the legislation the way it is drafted.

However, there are some things that we would like to take into consideration in the implementation of those amendments, some perspectives that you may find useful. Like everything, from a process point of view it can be implemented well and it can be implemented not so well. That is what I am going to try and illustrate by specific examples.

Before I go into that, let me give you a little background on the Union of Ontario Indians and our involvement with Hydro. We have spent 12 years working with Ontario Hydro, or working against Ontario Hydro, on a lot of issues. We have a lot of experience in dealing with Hydro from a process point of view. Most of the time we are intervening and we are trying to get Ontario Hydro to do other things than it wants to do. We are trying to represent the interests of our clients, which are 40 communities around the Great Lakes, essentially Ojibway communities. We have intervened in a lot of the major hydro-electric projects in Ontario and transmission lines that run through our territory. Our territory is from Thunder Bay to Ottawa, Sudbury to Sarnia. It is a fairly big territory.

We have been an official party to the Ontario Environmental Assessment Board hearings on supply and demand planning. We have facilitated the development of a small hydro-electric project on the Black River with one of our first nations, the Ojibways of the Pic River. We have five other feasibility studies going that could lead to more small hydro-electric projects. We were an official delegate to the Ontario task force on public participation and planning in Ontario Hydro. That was a task force developed in 1984 within Ontario Hydro to examine its public participation process and how different groups participate.

We presented a paper to Ontario Hydro vice-presidents in September on all the issues it is not addressing in relation to aboriginal concerns in the province. I must tell you that Ontario Hydro has not responded to that issues paper, and it was called for by Ontario Hydro. They do not seem to have a process within their corporation to deal with concerns other than Ontario Hydro. So I think your legislation and the amendments you are suggesting are very appropriate.

The first one I would like to talk about is the number of board members. Great, you want to increase the number of board members. That is fine. You want that representation to reflect more of a cross-section of Ontario. That is a very good idea. However, Ontario Hydro has just appointed a new board member for the aboriginal constituency of Ontario. The problem is that Ontario Hydro made that decision. Another problem is—

**Mr Conway:** No, it cannot be possible.

**The Chair:** Let Mr Roy make his presentation and then you will have your time, which you have used 30 seconds of, to question.

**Mr Roy:** Let him pull my leg.

**Mr Conway:** You calibrate time, Mr Chairman, like you do a lot of other things.

**Mr Roy:** The person who was appointed was not accountable to the Indian constituency of Ontario. It was an Indian person, but there is no tie between that person and the leadership in Ontario. There is really no way to bring forward the concerns of the aboriginal leadership to the Ontario Hydro board table through that particular person. It might happen, it might not: It is a gamble. It is not really the way to do things.

We believe that the amendment, when implemented, should have some accountability factor attached to it and some involvement of the leadership of a constituent group to the appointment of that particular board member. If we are going to jump from a dozen people to 22 people on the board, there could theoretically be a lot of very significant appointments to that board.

The second category I would like to deal with is the directives that would come from government to Ontario Hydro. This is a significant improvement from a concept point of view. If the government was in a position to direct Ontario Hydro to take conservation seriously and to actually suggest some guidelines for conservation, to the amount of conservation that is needed in Ontario, what we would be looking for as a constituency group would be conservation programs that would eliminate major power generation projects within Ontario. So we are talking on the level of 135, 150 or 200 megawatts at least. That could eliminate concerns or problems for first nations in the north that are faced with having to intervene with hydro-electric projects, for instance.

The government could also play a significant role in directives to industry which manufacture implements or devices that use electricity or to construction companies that are building homes. If in fact directives were issued that would facilitate conservation through better motor windings or not allowing electrical baseboards to be placed in housing developments, if the government would put some leadership guidelines on the table for industry to follow to practice conservation, you would have a double thrust. The directives would tell Ontario Hydro to do certain things, the directives would tell industry, and indirectly the consumers then would be practising conservation or would at least have the option of practising better conservation.

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The third set of amendments I am looking at are the economic directives from the government to change the rates Ontario Hydro pays for the generation of electricity. It is unrealistic what is being charged for electricity in Ontario. It is unrealistic from the point of view of encouraging consumers to practice conservation. It is unrealistic from the point of view of other power producers to bring forward projects that are economically feasible.

If we are going to produce a small hydro-electric project at 5½ cents a kilowatt-hour, we can do it, but it is really tough to do. There are a lot of projects that would be instantaneously feasible if that power rate was different. I have looked at power rates in other parts of North Amer-

ica, other provinces of Canada and in the United States, and yes, we have the lowest rate in North America. We also have the most unrealistic rate in North America, and it does not do a lot for the present situation that we are facing in the 1990s.

The last issue I would like to raise, and it is not in the legislation or in the amendments, is that Ontario Hydro has somewhat a monopoly in generating power in this province. Again, we have come up against this in the north. For anything over 20 megawatts, Ontario Hydro has the monopoly to develop a particular site or a generation mode. There are other ways to develop hydro-electric facilities on rivers than the way Ontario Hydro wants to do it, and there are other companies, other concerns that would be willing to consider alternative designs that would have less impact on the environment.

The monopoly concept is a problem and it could be addressed in this legislation. I will tell you, first nations in this country, first nations in this province, would be very willing to joint venture. I will tell you, we would not build installations that would impact on the environment the same way Ontario Hydro does. We have clearly demonstrated that with our first project on the Black River; that is a run-of-the-river project.

That is all I have to say.

**Mr Arnott:** Thank you, sir, for your presentation. You talked briefly about the process of appointments to the expanded Ontario Hydro board. If I heard you correctly, you expressed some reservation about one of the appointments. Could you explain how it could have been better undertaken?

**Mr Roy:** The appointment could have been done in a co-venture between Ontario Hydro and the Indian leadership. It is very well defined what organization in Ontario would be the Indian constituency, and that is the planning and priorities committees of the Grand Chiefs of Ontario. That option was not open to the leadership.

**Mr Arnott:** Do you think there would be fairly broad support among the native community for that sort of approach?

**Mr Roy:** Yes, absolutely.

**Mr Arnott:** Could you describe for me what you think would be the most important qualifications for a prospective candidate to the expanded board of Ontario Hydro.

**Mr Roy:** First of all, the ability to report back, the ability to carry information or input that is brought forward through a consultation process, that is connected to a consultation process, the ability to understand the technical material that is presented at board meetings; essentially emphasizing the accountability and a delegate's responsibilities, because those people can have advisers attached to them very much the way I play the role of adviser on technical matters to a grand chief.

**Mr Jordan:** Thank you, sir, for your presentation. I am particularly interested in your method of development of the hydraulic energy in the river. Are you prepared to enlarge a bit on that?

**Mr Roy:** I could take an example, if you like.

**Mr Jordan:** Would you, please?

**Mr Roy:** Little Jackfish River, north of Lake Nipigon: Presently, the project is looked at as a mode of generating 135 megawatts at somewhat peak power, fed into the grid. The river could be conducive to a series of run-of-the-river projects. The problem would be—

**Mr Jordan:** Do you mind just explaining for the benefit of the committee the run-of-the-river project?

**Mr Roy:** No reservoir and not conducive to producing peak power, unfortunately, but base load power anyway. The project that we built on the Black River is a run-of-the-river development.

**Mr Jordan:** So you do not have the big forebay to flood these areas.

**Mr Roy:** No flooding, less downstream erosion and less disruption of fish.

**Mr Jordan:** So it is basically natural flow of the river over a turbine?

**Mr Roy:** It is.

**Mr Jordan:** What are the serious setbacks of using that technology?

**Mr Roy:** No capability for peak power is one of the major drawbacks of run-of-the-river. But we are not talking about large hydro-electric projects that would be displaced by run-of-the-river; 135 megawatts is not a great deal, but the environmental impacts of that particular project as scheduled now would be enormous, and we are still recovering.

**Mr Jordan:** Excuse me. How many megs would we get out of run-of-the-river?

**Mr Roy:** The estimates I have been given by engineers would be about the same amount, but not peak.

**Mr Huget:** Thank you for your presentation. With regard to the board member issue, if I understand you correctly I think you are saying the first nations' leadership should really nominate or elect a representative it would like on the board. Is that correct?

**Mr Roy:** Yes, that is correct.

**Mr Huget:** The second point is, you mentioned government directives to Ontario Hydro to implement meaningful conservation programs. In your opinion, will we have meaningful conservation programs without some government directive?

**Mr Roy:** No. I think there is expertise within your Ministry of the Environment and Ministry of Energy that could in fact do a lot of that thinking and they can also pull in the expertise from universities and the academic-scientific world to base very good directives to Ontario Hydro. It is a mechanism to separate the vested interest of Ontario Hydro from the vested interest of the consumers in Ontario, with the government in the middle, with the ministry serving the government. That is the way I see it. It does not operate like that now.

**Mr Huget:** You also mentioned the government giving directives to industry. We certainly cannot give directives to industry in the same sense that we can, probably, to Hydro, but you say the issue of energy efficiency and

those types of things, energy efficiency in motors and production for industry. Would you say then that the Energy Efficiency Act should be strengthened to give just exactly that?

**Mr Roy:** Yes.

**Mr Huget:** As well as the building code to do just exactly that?

**Mr Roy:** Yes, I think that is the way you would do it.

**Mr Huget:** Thank you very much. A final point: You mentioned that power rates in Ontario are artificially low. That implies to me that we are not getting power at cost; we are getting power below cost. Could you elaborate on that?

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**Mr Roy:** Yes. If you build a nuclear facility in this province, the liability insurance that should go with the installation is not available. That is a cost saving to Ontario Hydro, but it is also an artificial aspect of the price of power coming out. You do not build in the cost of decommissioning that plant and that is a major cost, so you are giving Ontario Hydro a cost saving by letting it out of that and you are artificially holding the price low.

If you build a hydro-electric project on a river in the north and you displace a lot of people, for instance Indians, from a particular lifestyle and you put those Indians on welfare, the taxpayers of Ontario pay the welfare bill and whatever other social problem bills they pay with the kinds of aboriginal issues we have in Ontario. It is a big bill. Never mind the welfare; there is lots of other stuff we are paying for too. It is not reflected in the price of the power and therefore the power rate is lower.

I would say that realistically the power rate in the province would be 9.5 cents a kilowatt-hour. In New York state it is around 15 cents. If it ever jumped to that level, it would instantaneously have conservation programs kick in. It would instantaneously have all kinds of people trying to develop energy generation projects that would look like nothing Ontario Hydro is into now. It is an automatic reaction when you play with the cost and the economics of this issue. With this legislation, you would have the mechanism to do something like that through your ministries if the political will existed within the government of the day.

**The Chair:** Mr Klopp has a very, very short question.

**Mr Klopp:** You made it sound like over the years you have not been able to get Ontario Hydro to hear you, and you are glad we have Bill 118 to give stronger direction. You talked about vested interest and that they have not listened to you. Expand on this vested interest that you think is out there.

**Mr Roy:** Ontario Hydro has a way of doing business. They do not tend to listen to other people. I think there are certain personalities within Hydro that drive the system. I think that over the years Ontario Hydro has had a philosophy, from a historical point of view, of building the biggest and the best in the world, the biggest hydraulic, the biggest nuclear, the longest transmission line. They are very proud of the fact of doing those kinds of things, and when a constituency like aboriginal people comes along and says,

"That's not the way that we want things built in our territory," they say to us: "We're not particularly concerned with what you have to say. We have a permit from the Ontario government to develop a project on the Little Jackfish River. We don't recognize your land claim. It's not our concern. You deal with the Ontario government. They've given us a permit to do something and we're bloody well going to do it." That has been the attitude I have had from Hydro for 12 years. I see this bill as a light in the forest. I just was so happy to read it.

**Mr Conway:** Thank you very much, Mr Roy. You will be happy to know the new chairman of Hydro, by all accounts, is very understated, a shrinking violet, ultra-democratic in his methodology, so I think you will find the new regime very comforting.

The new chairman, in a quiet, self-effacing way, went off to the demand-supply meeting the other day and brought forward a new update. I was struck by a variety of magical transformations that have occurred, but one of the areas where there was not a great deal of magic had to do with the changes to the hydraulic plan. According to the update, it is still Hydro's expectation that over the next generation, if you exclude the Manitoba purchase, which I do in more ways than most people because I do not think we will ever achieve that in my lifetime, there are 1,800 megawatts of hydraulic that presumably will be domestically produced outside the NUG. I take it that this anticipates the Little Jackfish and Pattern Post, among others.

**Mr Roy:** Little Jackfish is not in the plan. They assume that they are going to be able to go ahead and build it irrespective of the plan. Pattern Post was just dropped into the plan.

**Mr Conway:** Can you just give me a little bit of an update about what is happening with those two projects? I think there is an assumption around here—I certainly have it—that they are part of that 1,800—

**Mr Roy:** No. They are not asking for Little Jackfish to be included in the plan. They are not asking the Environmental Assessment Board to give them permission to include Little Jackfish. They say they already have a mandate to build Little Jackfish and that they are going to take it in front of the Environmental Assessment Board as a site-specific.

**Mr Conway:** I really enjoyed your comments and your exchange with Mr Jordan, because you told me some things about hydro-electric generation that I did not understand, the river run concept. Say Hydro took a line and said, "Well, no, we're going to do the traditional kind of ponding project versus the river run." Would that kind of get the native population's attention? Would I be right in saying that, if in your view there was not willingness to consider the river run kind of development at Little Jackfish, it might not move forward very quickly?

**Mr Roy:** I will go beyond that and say I was shocked when I read the environmental impact statement that Ontario Hydro produced. They produced four of them. It went from a joke to something that was readable, but in the impact assessment statement they must consider alternatives for a particular site.

I thought the impact assessment statement submitted to the Ministry of the Environment was deficient and should not have stood up to the minister's scrutiny in allowing Ontario Hydro to go forward and actually schedule a hearing, because it did not consider those types of alternatives. To me they are viable alternatives that must be considered in an environmental assessment review process. Maybe Ontario Hydro has taken that to heart because it has not submitted its impact assessment statement for official review to the Ontario government and pushed for that hearing to proceed. So maybe they are cognizant of the deficiencies.

**Mr Conway:** I take it you are saying that Little Jackfish would probably proceed a little more smoothly if people looked seriously at the kind of river run development you were talking about earlier.

**Mr Roy:** If the board of directors of Ontario Hydro had more of a mechanism for input and was more serious about listening to different points of view, I think that might happen, yes. I think your amendments could drive it along that path.

**Mr Conway:** With the kind of democratic leadership we now have, I do not think these amendments are really going to be very necessary, because it is going to happen *a priori*, as we say in Pembroke.

**Mr Roy:** We have not had a way of getting at Hydro in a way so that it is mandatory for it to listen. I had to get the impact assessment statements under the table, by the way. I could not get those above board, because I was not entitled to review the documents of Ontario Hydro.

**The Chair:** Mr Roy, thank you very much for your interest and your participation in this particular series of inquiries.

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#### LENNOX INDUSTRIES (CANADA) LTD

**The Chair:** Lennox Industries is here to speak to us. Sir, please tell us who you are and what you would like to tell us.

**Mr Pilch:** My name is Doug Pilch. I am the director of manufacturing for Lennox Industries (Canada). I thank you very much for the opportunity to speak today. I have put forward a very small brief. I want to be able to keep to the point as much as possible.

Lennox is very interested, of course, in developing environmentally friendly products. We have been in the process of providing climate control equipment in Canada for 40 years. We provide heating products and cooling products. We have, over the last 40 years, been very much on the leading edge of developing environmentally friendly products. We were the first with high-efficiency furnaces, we were the first with high-efficiency air conditioners and we have, by and large, been ahead of any legislation on energy efficiency.

We are very pleased to see the act as presented. We believe it is a public thrust to move in the direction of energy conservation. It is a public thrust to move energy consumption, for heating purposes specifically, to the point where you have consumption of the heating energy—which in our case is natural gas—being moved from the

power generator to the home or business. This is a much more efficient use of the energy, and in combination with recent legislation that moves furnace efficiency up to a minimum efficiency of 78%, we believe this provides a very effective use of gas in Canada.

So from our perspective, this is supporting our own thrust that we have made in the past. We are also very glad to see it from a personal point of view. I believe it will provide for energy conservation and helps with the situation in Ontario.

As it has very much an impact on our industry, it is also an economic factor. We believe that the type of advertisement and promotion that will come from improved energy efficiency will be very helpful in our manufacturing sector. We believe it will provide for increased success of our industry and greater employment in the manufacturing sector of heating and air-conditioning.

Those, in summary, are my feelings on the subject.

**Mr Huget:** Thank you for your presentation. Where is Dave?

**Mr Pilch:** He is not here today.

**Mr Huget:** I wanted to get your opinion and your viewpoints on the potential for energy conservation and energy savings as we look at new technologies. Perhaps you could touch on some of the things that have been developed lately and then go on to things that may be coming in the future, not only with gas, but with other sources of energy as well.

**Mr Pilch:** I think probably the most interesting one we have right now is a dual-fuel heat pump. We will begin this year to market a commercial product that will provide for either using electricity for the heat pump process or for natural gas combustion. The system has an onboard mini-computer that calculates the least cost for the consumer. It will actually look at the time of day, the rates that are being charged in the location and the efficiency of the heat pump at the current outdoor temperatures, and compare that to burning natural gas. In some cases, a heat pump in ideal conditions is more effective than burning natural gas. So if the charges for natural gas and electricity reflect the true consumption of the energy, then the system will automatically be conservation in nature.

**Mr Huget:** If we in fact embark on an energy efficiency and conservation strategy and become a leader in that, do you see opportunities in Ontario for investment, research and development of new technologies, jobs and those related things that go with that?

**Mr Pilch:** Unquestionably. The recent thrust by Ontario in this direction will move to a lot more multiresidential buildings having natural gas. I think in the past you found that apartment buildings have gone to electricity. With the thrust towards natural gas, that is going to mean that apartment buildings will begin to use natural gas.

This is an area of product that is not too common. There are not a lot of companies out there right now providing for an individual unit, each individual apartment, to have gas heat and air-conditioning. Lennox currently does not have such a product. The thrust of that kind of thing will definitely mean that the Canadian industry will be the

one requested to pursue it and develop something for Lennox Industries. If this becomes a trend across North America, there is a possibility that the Canadian branch of Lennox will be first into the US market with that product.

**Mr Huget:** It is a Canadian resource, and it only stands to reason that if there is going to be technology, certainly a Canadian company, an Ontario company, should be the trendsetter in technology around that resource. I guess my final point, for my own interest: Was there ever a Dave Lennox?

**Mr Pilch:** Yes, there was. Dave Lennox was the original inventor of the steel furnace, as opposed to cast iron.

**Mr Huget:** So "Atta boy, Dave" was really "Atta boy, Dave."

**Mr Pilch:** It really was true.

**The Chair:** Atta boy, Mr Huget. Mr Conway.

**Mr Conway:** Thank you very much, Mr Pilch, for a very concise and interesting presentation. I do not find myself disagreeing with a lot of your presentation. I just had one problem with the gas folks. I do not know how, if you were in the gas business, you could not like this policy, this bill. I would be so excited if I were in your business that I could not contain myself, as you are doing so very well here this afternoon.

I just am troubled by this old-fashioned notion of equity. Why the hell should I, as an electrical consumer, pay for your bonanza? I did not need one Bill 118 to switch. I switched five years ago because the market dynamic seemed to make it so clear. I was out there with my gas furnace and got all my money back in no time flat.

I just am struggling and trying to think why these Hydro customers, particularly the rural ones, should be subsidizing their urban cousins to switch to this wonderful low-cost alternative that I know will be low-cost until the end of time. When the entire world switches over to natural gas, I know the market dynamic will not move the price of gas upwards at all. That is one of the assumptions on which I make my analysis. But why should the Hydro customer, through increased rates, be subsidizing people to switch to an alternative that surely the marketplace is giving to you almost effortlessly?

**Mr Pilch:** I think one of the things definitely is advertising. We have all seen and we have all grown up with a Cascade 40. We know what that is: an electric water heater. We have seen that advertising on TV. We have been exposed to baseboard heating, electric heating. We have been exposed to resistant heating as being the most comforting and the most comfortable form of energy to provide.

**Mr Conway:** I accept that, but the advertising that really counts for me is the bill. A few years ago I just sat down and looked at my bill, and I went running out to the natural gas company so fast that you could hardly follow me.

**Mr Pilch:** But you are an informed consumer.

**Mr Conway:** Oh, no, I am not. I am a very uninformed consumer.

**Mr Pilch:** But you wished to be informed in that area.

**Mr Conway:** But I am saying, seriously, that the market was so strong and it has gotten even stronger in the intervening years. Why would we stick the poor old Hydro consumer with even more burden, part of which is going to be to subsidize an off-electric policy which surely the current market is doing just fine in supporting?

**Mr Pilch:** I would hope, and my anticipation from this is, that for even the Hydro consumer there would be a gain. What should happen is we should be able to avoid ever-increasing costly capital investment, and by getting better use out of our current capital investment, we should be in a situation where Hydro costs will eventually come down.

**Mr Conway:** I would recommend the testimony of Mr Solomon from Energy Probe, who, among others, has said that is not going to happen, at least in the intermediate term. In fact, he thinks this shift is going to drive rates upward, which I think would probably be the case.

**Mr Pilch:** I am not capable of commenting on that.

**Mr Conway:** Thank you very much, Mr Pilch.

**Mr Jordan:** Thank you for your presentation. I might also say that I have had a number of years' experience with Lennox products.

**Mr Pilch:** I hope happy ones.

**Mr Jordan:** Yes, most of the time. I would like to discuss for a moment the heat pump that you people have been leaders in. For me, if there was going to be any capital from a utility in the form of a substitution, to upgrade or go to a more efficient heating/cooling system, I would be choosing that one.

**Mr Pilch:** As I see the bill, it opens the scope of the corporation in that in previous times, could have programs that would encourage people to leave resistance heat and go to heat pump, which in all cases is more efficient. Now what has happened is that it is even wider. You can encourage people to go from resistance heat to either heat pump or natural gas. And there are many cases—for instance, with a high-efficiency furnace—where in energy consumption and costs a high-efficiency furnace is even more appropriate than a heat pump.

**Mr Jordan:** But for me, to spend \$7 million on something like this is totally unacceptable, as compared to giving assistance. A lot of people just cannot afford the heat pump system because of the capital costs to get it installed. You or I or somebody else over 10 years will have their capital returned to them, and perhaps in a shorter period of time. They are not only going to have heat but they are going to have the comfort of cooling in the summertime, at basically the cost of running the fan and the pump. So whether it is electricity or gas, I feel strongly that Ontario Hydro, if it is going to get involved in the substitution of energy program and the subsidizing of same, should look at something like that, rather than this—they are broken already.

**Interjection:** No wonder: they have gone all over Ontario in a truck.

1510

**Mr Pilch:** I think the thrust has to go to significant energy consumption reduction, and I think the intention is to go to the best source of energy, from what I have seen from the bill, and I find that appropriate.

**Mr Jordan:** And education of the customer.

**Mr Pilch:** Education of the customer is very important, and most important, honest education of the customer, as opposed to education for the purpose of selling the product rather than education for the best use of energy.

**Mr Jordan:** The other thing I think customers should be brought up to date on is that instead of looking at Ontario Hydro as some monster out of control, they should realize that Ontario Hydro is nothing but a wholesaler to utilities. They should be going into their utility offices and making their concerns known, and getting the information and the education they can get through those offices.

I have talked to several people during this hearing, and they do not seem to make use of their local offices. As the manager of York Hydro told me this morning, when he was out campaigning they could not differentiate between their Hydro commission and Ontario Hydro. We keep throwing balls at Ontario Hydro all the time, when actually, once they wholesale it to the utility, instead of blaming old mother Hydro, why do they not get off their rears and be accountable at that level and institute policies of energy that are relative to their utility? If you try to blanket Ontario with one policy, you will bugger up my utility, but it may work well for yours.

**The Chair:** Did you want to respond to that, Mr Pilch?

**Mr Pilch:** My only comment was that I believe Bill 118 opens up opportunities for the power corporations to broaden their scope of activities. How that is implemented in practice, I think, is going to be a matter largely for the public and their inputs as to what they want to see Ontario Hydro do. That is going to come also from politicians such as yourself, and from industry leaders and labour leaders.

**Mr Jordan:** Get some more members on the board.

**Mr Pilch:** What is happening now is that the government is opening up the possibility for that action to be taken. How it is actually executed, I do not think that is going to be legislated.

**Mr Conway:** We are going to need an excess profit tax for the gas sector in about five years' time, but that is another issue for another day.

**Mr Pilch:** I hope so. If we are making an excess profit I would love to pay the tax.

**The Chair:** Mr Pilch, I want to thank you on behalf of the committee for coming here this afternoon, for tolerating us and for answering the questions candidly and clearly. We appreciate the interest you show, along with a whole lot of other members of the industry and the members of the community.

**Mr Pilch:** Thank you for your time.

## ORGANIZATION

**The Chair:** We are waiting for the prospect of one final participant. In the interim, however, Mr Arnott has a matter to raise.

**Mr Arnott:** Thank you, Mr Chairman. Yesterday in subcommittee there was a discussion, and the subcommittee raised the idea that written questions could be submitted and filed with the clerk, written questions which will be answered by Ontario Hydro. Our caucus has put together a number of questions, and our critic, Mr Jordan, would like to read those into the record at this time.

**Mr Jordan:** Mr Chairman, members of the committee, the questions for Ontario Hydro are as follows:

Question 1: What was the extent of consultations between Ontario Hydro and the Ontario government prior to the announcement of a nuclear moratorium in the November 1990 throne speech? To your knowledge, what information sources did the government rely on to make the announcement on the moratorium?

Question 2: Based on your discussions and contact with middle-level and senior managers throughout the organization, could you describe morale levels at the present time?

**Mr Klopp:** Morals or morales?

**Mr Jordan:** Morale. With some of the discussion that went on here today, it could be either, especially that tape the other day.

Question 3: In June 1991 Minister of Northern Development and Mines Shelley Martel rose in the House and stated: "After consultation with the provincial government, Hydro has delivered on its promise" to Elliot Lake and the communities of the North Shore.

a) What is Hydro's view of its commitment and promise to the Elliot Lake uranium industry?

b) Describe the consultations that took place between the government and Ontario Hydro on the commitment to the Elliot Lake community, particularly as they relate to the \$250-million economic transition package.

c) What studies were undertaken by Ontario Hydro to determine the impact of the Elliot Lake assistance package on the corporation?

4. Describe the consultations which took place between Ontario Hydro and former Energy Minister Jenny Carter on the content of Bill 118 prior to its introduction.

5. Throughout the hearings on Bill 118 we have heard that the government has consulted thoroughly with interest groups, particularly the Municipal Electric Association, on amendments to Bill 118. What consultations have taken place between Will Ferguson and Ontario Hydro on revisions to Bill 118?

Proposed amendments state that "the minister may issue policy directives that have been approved by the Lieutenant Governor in Council on matters relating to the

corporation's exercise of its powers and duties under this act."

What are Ontario Hydro's powers and duties under the Power Corporation Act?

6. In the current debate on Bill 118, we have heard two terms referred to on a frequent basis: "power at cost" and "power at reasonable cost." Could you supply your definition of these two terms?

7. We have a number of questions on the recent revisions to Ontario Hydro's 25-year demand-supply plan. Our understanding is that it took approximately five years to draft the original document.

How long did it take to draft the revisions? What were the primary information sources for the new document?

The revised document outlines plans to refurbish and extend the operation of coal-fired generating stations. What studies have been conducted to determine if this alternative is an appropriate course of action?

For many years people in this province believed Ontario was building a generating industry capable of supplying not only the province's needs, but helping to meet requirements in neighbouring jurisdictions as well. What is Hydro's view at present regarding its capability of exporting power?

Major industrial users, who are responsible for thousands of jobs in the province of Ontario in the manufacturing and resource sectors, have stated that the possibility exists for major power shortages in the future. How do you address these concerns?

8. Energy Minister Will Ferguson has stated that Hydro's decision to dismiss nuclear construction means that future rate increases may not be as great as anticipated. Does Hydro agree in principle with this theory?

Thank you, Mr Chair.

**The Chair:** Thank you, sir. You are putting those questions to Mr Huget as parliamentary assistant to the Minister of Energy, and the clerk will write to Hydro indicating that those questions were put and that you are seeking responses.

**Mr Jordan:** She would like a copy.

**Mr Conway:** I think they should be reviewed. Some of them are unduly provocative.

**The Chair:** It is kind of you to come to Hydro's defence.

**Mr Conway:** I just do not want Dusty to get upset.

**The Chair:** Any other matters?

We had a presentation scheduled at 2:50 pm by John Robinson. Mr Robinson was not here then. Is he here now? It is 3:20 pm, the clerk has looked for Mr Robinson in the hallways and thereabouts all afternoon, but he does not appear to have come, for whatever reason. In view of that, and there being no other matters, we are going to adjourn until 10 tomorrow morning.

The committee adjourned at 1520.

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First Intersession, 35th Parliament

## Official Report of Debates (Hansard)

Thursday 23 January 1992

### Standing committee on resources development

Power Corporation  
Amendment Act, 1991

## Assemblée législative de l'Ontario

Première intersession, 35<sup>e</sup> législature

## Journal des débats (Hansard)

Le jeudi 23 janvier 1992

### Comité permanent du développement des ressources

Loi de 1991 modifiant  
la Loi sur la Société de l'électricité



Chair: Peter Kormos  
Clerk: Harold Brown

Président : Peter Kormos  
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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday 23 January 1992

The committee met at 1000 in committee room 2.

### POWER CORPORATION AMENDMENT ACT, 1991

#### LOI DE 1991 MODIFIANT LA LOI SUR LA SOCIÉTÉ DE L'ÉLECTRICITÉ

Resuming consideration of Bill 118, An Act to amend the Power Corporation Act. / Projet de loi 118, Loi modifiant la Loi sur la Société de l'électricité.

**The Chair:** It is 10 am. We are scheduled to begin. People came here expecting to make their presentations at the times allotted.

### MUNICIPAL ELECTRIC ASSOCIATION

**The Chair:** The first presentation is the Municipal Electric Association. People, please come forward and have a seat. I should note that Mr Huget is here and Mr Cleary is here. We are ready, notwithstanding that there is only Mr Huget and Mr Cleary, to move on because that is what we are scheduled to do.

Please tell us who you are, say your names and your status with the Municipal Electric Association. You have 20 minutes. We have your written material which of course becomes part of the record by virtue of being filed as an exhibit. Please keep your presentation to 10 minutes or under because one of the most valuable parts of this process is the questions and dialogue that takes place after that. Go ahead, gentlemen.

**Mr LeClair:** Thank you. Good morning. I am Marvin LeClair, chairman of the Municipal Electric Association and a commissioner on the Essex Public Utilities Commission. With me this morning are our past president John Wiersma and our CEO Tony Jennings. We appreciate the opportunity to address the committee today. We have distributed copies, as the chairman has mentioned, of our brief to the committee. I am not going to read the entire document but I hope you have an opportunity to review it in detail.

We would like this morning to present to you some highlights of our position and then take any questions you might have.

The Municipal Electric Association, MEA, was formed in 1986 from two predecessor organizations, one that represented the commissioners and one that represented utility management. These two predecessor groups traced their roots back to the 14 municipalities that set up the original power commission known as Ontario Hydro.

Today MEA represents about 315 municipal electric utilities which serve 75% of the province's electricity consumers. MEA members believe strongly in two important principles: public power and power at cost. It is important to keep this in mind during discussions of the concerns we have about Bill 118 and the actions the association has taken.

Bill 118 was introduced without any prior consultation with this association, and as we examined the bill after its tabling, our concerns quickly focused on two critical areas of the bill: policy directives and fuel substitution. The MEA's position was very clear. With regard to policy directives, the MEA stated that the province's provisions that would allow the government to issue binding policy directives that could change Hydro's mandate and which would be paid for out of the cost of power were absolutely unacceptable. Why? Because they violate the principle of power at cost. In its original form, Bill 118 could allow the government to force Hydro to undertake any kind of activity unrelated to the provision of electricity and then make hydro ratepayers foot the bill. It was very clear to MEA members that they must vigorously oppose any measure that could turn Ontario electricity bills into tax bills.

MEA concerns in this regard were heightened by another situation which has been raised by this committee's members on several occasions during the hearings and which appear to be an indication of the government's intentions regarding Ontario Hydro. The situation is the community assistance package for Elliot Lake. I know you are all familiar with the terms of this assistance package, which MEA believes is inappropriate as it again violates the principle of power at cost and indicates a tendency to use Ontario Hydro as an instrument for government social policy.

Some members of the committee in this room have been led to believe the Elliot Lake assistance package represents a saving of \$1.4 billion for Ontario Hydro. This is not the case. Ontario Hydro is not saving \$1.4 billion, because the corporation was not under any obligation to extend the contract with Rio Algom beyond 1993. If the government had not stepped in, Hydro presumably would not have extended the contract. It would have terminated the contract in 1993. The fact is that now the government has ordered Hydro to extend the contract from 1993 to 1996 at prices \$160 million higher than the market price for uranium. The \$1.4 billion is based on the contract being extended for 10 years, which surely Hydro would not have done. Therefore, to describe this amount as a saving is totally inaccurate.

But back to the bill at hand. On policy directives, MEA has determined that the breadth of the policy directive power was inappropriate and should be restricted. That is what was recommended in our position paper released in August.

The second area MEA focused on in Bill 118 was fuel substitution. Despite what has been written and said about MEA's position on this matter, the association is not opposed to energy conservation and it is not opposed to fuel substitution, although MEA does argue that it appears to be unnecessary to subsidize fuel substitution and unfair to force

Hydro customers to pay for it. The MEA is very active in energy conservation programs and is working cooperatively with Ontario Hydro on several energy management projects. We understand that energy conservation activities such as fuel substitution are key elements in ensuring future reliability of supply of electricity.

However, Bill 118 would permit Ontario Hydro for the first time to provide financial incentives to people to encourage them to switch from electricity to other fuels for space heating. Why does MEA oppose this? Quite simply, it is unnecessary and it is unfair. It is unnecessary because other fuels such as natural gas are currently cheaper than electricity. In MEA's view, it appears market forces alone are sufficient to encourage fuel substitution. It is unfair because in many parts of Ontario electricity consumers do not have access to other fuels. This means they will end up subsidizing, through their electricity rates, the conversion of other customers who do have the option. Therefore, MEA believes the section of Bill 118 permitting Ontario Hydro subsidies for fuel substitution should be withdrawn.

As you are aware, MEA made its concerns about policy directives and fuel substitution well known to the government and the opposition members through an intensive campaign by our members that included many letters, petitions, resolutions and meetings. As you are also aware, our campaign succeeded in having the new Minister of Energy consider our concerns and promise to introduce amendments to the bill. The minister has promised to appropriately reduce the breadth of the policy directives as we recommended. On the fuel substitution, the government has said it intends to proceed with subsidies. However, we have been promised a full and meaningful consultation process on the development of these programs, and the minister has said he expects these programs to stand up to economic scrutiny.

We are pleased with the commitments made to date. Since October, MEA has continued to monitor the progress of the bill through second reading and the referral to the committee. MEA has also been considering what further constructive comments and suggested revisions might be made to Bill 118.

In the area of policy directives, MEA and its member utilities expect any directives issued will relate to matters under Hydro's mandate: the safe, reliable supply of electricity. MEA intends to be vigilant in this regard, to ensure that the principle of power at cost is preserved, that policy directive powers are not abused and that Ontario Hydro is not used as an instrument for government social policy.

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To that end, MEA believes there must be a mechanism to ensure that policy directives issued by the government receive some legislative scrutiny and are open and accessible to the public.

When the former Minister of Energy introduced Bill 118, she indicated that the policy-directive provisions were similar to those in the federal Financial Administration Act. There are some similarities, it is true, but the federal act contains many safeguards to ensure that policy directives are scrutinized and do not change the mandate of a

crown corporation. One of these safeguards is subsection 89(3), formerly 89(4) of the federal act, which states:

"The appropriate minister shall cause a copy of any directive given to a parent crown corporation to be laid before each House of Parliament on any of the first 15 days on which that House is sitting after the directive is given."

The MEA believes that a similar provision must be added to Bill 118 to ensure that the Legislature and the public have the opportunity to see all policy directives that have been issued. Therefore, we recommend that section 9a of the act, under section 2 of Bill 118, be amended by adding the following clause:

"The Minister of Energy shall cause a copy of any directive issued under subsection (1) to be laid before the Legislature within 15 days of it being issued."

The MEA further believes that details surrounding the implementation and costs of policy directives should be available to the Legislature and to the public. Therefore, we recommend the following:

That section 9a of the act, under section 2 of Bill 118, be amended by adding the following clause:

"The board shall report to the minister all details concerning the implementation and costs of any directive issued under subsection (1), and the minister shall cause these details to be laid before the Legislature within 15 days of their receipt."

For the reasons stated earlier, the MEA still believes that the section of Bill 118 permitting Ontario Hydro to subsidize fuel substitution is unnecessary and should be withdrawn. However, the government has made it very clear that it is determined to proceed with this section.

MEA appreciates the minister's written commitment—he wrote to me personally—to full and meaningful consultation with municipal electric utilities and other parties in the development of fuel substitution programs. The MEA is already making plans to participate in this consultation to make an effective contribution to the consultation process.

We also appreciate the minister's written statement that he expects fuel substitution programs to stand up to economic scrutiny and to be in the best interests of the electrical system.

That being said, MEA is concerned about increasing pressures from other parties to maximize fuel switching, regardless of the implications. Therefore, MEA would like to see the minister's commitments on fuel substitution become part of the legislation itself so that it takes on the appropriate prominence. Therefore, we recommend the following:

That section 5 of Bill 118 be withdrawn. If it is not withdrawn, it should be replaced with wording that enshrines the minister's commitment, as per his letter of October 2, which you have attached to your documents.

This concludes the MEA's comments to the committee on the background of the association, its positions on Bill 118 and the minister's proposed changes, and its additional comments on and recommendations for amendments to the legislation. We appreciate the committee's consideration of the presentation, and we are prepared to respond to any questions you have, Mr Chairman.

**The Chair:** Mr LeClair, thank you. I should tell you and the other people who are going to be participating that each of the caucuses is represented. Among the members of the official opposition Liberal Party is Mr McGuinty, Energy critic for the official opposition. Among the members representing the Conservative Party is Mr Jordan, Energy critic for that caucus. Among the government caucus is Bob Huget, MPP for Sarnia, who is also the parliamentary assistant to the Minister of Energy. Two minutes per caucus.

**Mr Cleary:** I would like to thank you gentlemen for your brief. I think it is very easy to understand. Also, your recommendations are very helpful to the committee. I just wondered about one thing. I did not see it in the brief; I hope I did not miss it. Are you satisfied with the present makeup of the board of directors of Ontario Hydro, and what is your opinion of the proposed changes?

**Mr LeClair:** I am going to ask Mr Jennings, our CEO, to respond to that.

**Mr Jennings:** The MEA has not taken a firm position on the number. The number on the board was already fairly significant. We have asked over the years for an increased representation from among the people with experience in the local utilities, since most of them are elected. The commissioners represent some 75% of the customers, so if there was an issue, I think it would be a question of where the members of the board are drawn from.

**Mr Cleary:** The other thing I would like to mention here is that you, sir, said that you were not opposed to a conservation program through Ontario Hydro.

**Mr LeClair:** That is correct.

**Mr Cleary:** My colleague Mr Jordan had a couple of lightbulbs that were mailed out to every householder in the province of Ontario. I was just wondering, were you in favour of that?

**Mr LeClair:** They were distributed by Ontario Hydro without consultation. We were informed that they were being sent out.

**Mr Cleary:** That is not what it says on the package.

**The Chair:** There is not going to be time for any more questions from that caucus. Mr Jordan.

**Mr Jordan:** Thank you, Mr Chairman. I thank my colleague for picking up the light on those bulbs. It was important, though, that the package did say, "From your local utility." My understanding was that the utilities had not been consulted on this \$7-million program.

First of all I want to say what an excellent brief this is, and I mean that from the point of view of being knowledgeable about the bill and the present act, which is shown throughout this presentation.

"The MEA executive met and passed a motion indicating that, if the minister did in fact proceed with such amendments to the policy directive power, and did promise consultation on fuel switching, the MEA would discontinue its publicity campaign." What is your position relative to that at the present time?

**Mr Wiersma:** It was the position of the MEA to discontinue the campaign. We still have a lot of questions. I

happen to be on a committee of the MEA that is now trying to get the information from Ontario Hydro on the economics of fuel switching. Just on January 15 I received a thick document on the economics. They are not clear to us. It obviously needs a lot more consultation. We believe that process has to be ongoing before we can be definitive about whether fuel switching is a good thing or not.

**Mr Jordan:** What was your reaction to the five-year demand-supply plan, one that was studied for five years prior to presentation? Now one that has perhaps been looked at over a period of five months is replacing it. Do you have any comment on that?

**Mr Wiersma:** Fuel switching is considered to be a large part of that plan, and it is not clear to us, given the new avoided-cost scenarios with generation not being part of this plan, what the economics of fuel switching really are, or indeed of some of the demand management programs. I believe this whole issue needs review so that they are economically viable and we do not embark upon a program that is being subsidized out of the electricity consumers.

**Mr Huget:** Thank you for your presentation. I will just briefly touch on a couple of points. You mention of course the fuel substitution issue and your desire to be part of that process and for some direction from the minister saying that indeed you would be part of a group to be consulted. Could you tell me how you see that consultation process unfolding, and where and what kind of role you can play in that?

**Mr LeClair:** Personally, I wish I knew, but Mr Jennings or Mr Wiersma might be able to respond, especially John, since he is general manager of Pickering.

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**Mr Huget:** We are asking for your enlightened opinion.

**Mr Jennings:** Perhaps I could start. I think we need to have all the parties involved. We have made preliminary contact with the Ontario Natural Gas Association. We have already been in touch with Ontario Hydro, as Mr Wiersma said. The question at this point is how much more study is necessary to sort out the background. As was done with a lot of demand management programs more directly aimed at efficient use of electricity, there is very often a considerable amount of study necessary to see whether incentives are necessary or whether pure information programs can work the trick.

I think it is important that the basic position of the MEA is that the electricity consumer should not be asked to pay for it, but if in fact that strategy is being adopted by the government and applied by Ontario Hydro, being allowed by the change in the legislation applying to Ontario Hydro, then our party wants to be at the table considering the impacts on the local consumer, because the impacts will be different in different municipal utilities. Some have access to gas, some do not. The amount of electric heat, space heat, now being used in some utilities is a lot higher than others, so if you lose a large percentage of your customers and still have to keep all the wires and distribution system in place, it is going to affect the rates differentially. Part of the minister's commitment was that the issue of impact on

affected people would be looked at as well. Those are the kinds of issues.

As was mentioned, Mr Wiersma is already involved in some preliminary looks, so maybe he would like to expand.

**The Chair:** Thank you, gentlemen. On behalf of the committee, I want to thank you very much for your participation this morning. We appreciate the time you have taken out of your schedules to come here. Your contribution has been a valuable one. We trust that you will keep in touch. Please take care.

#### HYDRO-ELECTRIC COMMISSION OF THE CITY OF YORK

**The Chair:** The next participant is the Hydro-Electric Commission of the City of York. Will people participating in that presentation please tell us who you are and commence with your presentation. Please try to save 10 minutes of the 20-minute portion of time for questions and dialogue.

**Mr Anshan:** Good morning, Mr Chairman and members of the committee. We appreciate the opportunity of appearing before you to present the views of York Hydro on Bill 118, An Act to amend the Power Corporation Act. I am Mark Anshan, chairman of York Hydro. I am pleased to introduce Rudy Roth, vice-chairman of our commission; Frances Nunziata, our commissioner, and Bill Scott, our general manager.

York Hydro serves the city of York, one of the six municipalities comprising the municipality of Metropolitan Toronto. We supply electricity to over 35,000 customers, making the utility the 23rd largest of Ontario's 312 electric utilities.

York Hydro was the first large utility in the province to convert its entire distribution system from 4,160 volts to 27,600 volts. This has resulted in considerable savings in energy purchased and provided the city of York with a much more efficient distribution system. We are also an active member of the Municipal Electric Association, the organization which preceded us here today. Many of our senior staff, as well as Vice-Chairman Roth and myself, serve on various committees of the MEA.

We are here today on behalf of our commission and our customers in York. Our concerns are to ensure that Ontario Hydro will be able to continue to provide us with a secure and reliable supply of electricity in an efficient and cost-effective manner. We participate in all activities designed to achieve that end. That is the reason for our appearance here this morning.

Our commission, on behalf of the customers and residents of York, supports the underlying principles governing the production and distribution of electricity in the province of Ontario and the importance of our public power system to the economic wellbeing of our province.

As a public utility, we strongly support the principle of supplying power at cost to our customers. It is for this reason that we support the position adopted by our association, the MEA, on Bill 118 and would like to emphasize some of the critical points raised by Bill 118.

First, permit me to make a few remarks regarding the policymaking process adopted by the government in regard

to this bill. We believe it would have been prudent for the government to have entered into consultations with stakeholders and interested parties prior to the introduction of Bill 118 last June. In our view, such a dialogue might very well have made the public campaign undertaken by the Municipal Electric Association unnecessary.

The government apparently had serious concerns with the manner in which Ontario Hydro functions and the degree of accountability it has to the government. That is certainly a legitimate concern for a government to hold; indeed, as taxpayers and leaders in the electric industry in Ontario we expect our government to adopt such views and take appropriate action. But we hope our government will do so after public consultation and careful analysis of the problem, so that the proposed solution makes sense and is consistent with existing public policy.

As indicated by Mr LeClair, the policy directive provisions of Bill 118 as originally proposed violated, in our view, the basic principle underlying our electric system, power at cost. Fortunately, the minister has undertaken to amend that provision so that the principle will be maintained.

The rates charged for the provision of electricity in Ontario should be used for that purpose alone. A corporation such as Ontario Hydro should not be expected or required to use its revenues for the advancement of other government objectives, such as the contributions to the northern Ontario heritage fund for the benefit of Elliot Lake and other funds which have been advanced. Other examples, such as Ontario Hydro's debt guarantee charge by the government and the charge for water rental paid for the water flowing through the hydraulic generating stations are basically hidden forms of taxation to the electrical customers. The use of tax revenues for such objectives should be rationalized by the public policy underlying the objective itself.

We appreciate that the government is concerned about the accountability of Ontario Hydro. However, we believe that ongoing review of Ontario Hydro's operations and policies might be better served by evaluating the current process of annual review by the Ontario Energy Board and determining if greater regulatory powers should be adopted for the OEB. The means by which a large, complex organization such as Ontario Hydro can be made more accountable requires a process which is objective, open and fair and has the required expertise and resources to undertake the necessary reviews. The use of policy directives as a means of making Ontario Hydro more accountable should be seriously reconsidered.

As well, we believe that there still must exist flexibility and an ability to respond to changing circumstances in order that Ontario Hydro can make adjustments both in its policy and operations as the need arises. Last week's publication by Ontario Hydro of Update 1992 to its demand-supply plan is a good example of why Ontario Hydro will continue to require the ability to make changes in its short- and long-term plans. Ontario Hydro has the expertise and resources to make such determinations, subject of course to the accountability review being suggested by the Ontario Energy Board.

We support the proposed amendments suggested by Mr LeClair.

Section 9 of Bill 118 states, "Any action taken on or after the 5th day of June, 1991"—the date of first reading—"and before the coming into force of this act by any person purporting to act as the corporation's chief executive officer who was not the corporation's chairperson when the action was taken shall not bind the corporation." Although this transitional provision may not be very relevant by the time Bill 118 actually becomes law, its rationale needs to be seriously questioned. It certainly cannot be considered good public policy. Theoretically, what is supposed to be happening at Ontario Hydro during the interim period between the introduction of Bill 118 and its receiving royal assent? How is one of the largest corporations in Canada being managed on a daily basis with this kind of provision hanging in the air, waiting to become law? Who is the CEO at this moment? Legally, and as a matter of public policy, it makes no sense whatsoever.

York Hydro is actively engaged in energy efficiency measures. We are participating in the programs being introduced by Ontario Hydro to encourage our customers to save electricity and reduce their hydro bills. In that regard we are not opposed to fuel substitution and support the remarks made previously by the MEA.

Fuel substitution should be recognized as a demand management tool provided that it is economically viable and does not require customers in some parts of the province to be subsidizing customers in other areas to switch fuels. These types of initiatives must be fair and equitable across the province. Any type of subsidy which is not equitable cannot be considered as sound public policy.

Furthermore, any program of fuel substitution which increases the overall cost of electric power will seriously erode one of the economic advantages historically used by this province in attracting industry to locate and remain here.

Finally, such programs will further undermine the basic principle of power at cost. Generally, the customer alone should decide if fuel substitution is economically viable, and incentives from electricity revenues should not be used to increase gas company profits.

York Hydro supports demand management activities. We recognize the importance of this policy in order to ensure we will have an adequate supply of electricity in this province in the foreseeable future. We note Bill 118 will permit us to capitalize the cost of energy conservation programs. As long as this provision remains permissive, we have no objections, although at the present time it is unlikely that York Hydro would wish to take advantage of this provision. Our preference is to pay for such measures out of the current operating budget. We do not believe that future generations of customers should necessarily have to pay for present energy management programs. They will be required to pay for their own measures when the time comes.

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Finally, we wish to point out that we believe the cost of demand management activities should be borne by the en-

tire system in the province and not passed on to the local customers through increased rates.

In conclusion, we wish to thank you once again for the opportunity to convey our views on some of the essential features of Bill 118. We hope our presentation will assist the committee in its deliberations. We look forward to working with you in the future, through our association, and trust that together we can ensure that our province will continue to be well served by its electric industry. We welcome your questions.

**The Chair:** Thank you, sir. Three minutes per caucus. Mr Jordan, please.

**Mr Jordan:** Thank you, gentlemen, for your presentation this morning. I would like to go to page 4, the retroactivity provision of the bill. I think you bring out some important points there. First of all, who legally has the authority, while the act is sort of in limbo, to make decisions and sign contracts or deals at Ontario Hydro?

**Mr Anshan:** Are you asking me?

**Mr Jordan:** Yes.

**Mr Anshan:** I am a lawyer by profession, Mr Jordan, but I would not venture to give you a legal opinion at this point. I suggest that it is a serious question which the government ought to be concerned about at the present time, although I understand that informally certain arrangements have been made in the upper levels of management at Ontario Hydro. So it may not be, as a practical matter, a problem. But certainly, theoretically and legally, it is in our view a problem.

**Mr Jordan:** In line with that, then, Bill 118 is in committee stage and it has received only first reading. We are proposing and certainly are going to be suggesting, as you people are, major amendments to the bill, if indeed it is not withdrawn completely. In light of that, somebody had the authority to go ahead and change an official document, the demand-supply plan in front of the Environmental Assessment Board. That is a major decision that someone has made, and not only made it but made it on the basis of this act being amended under Bill 118.

**Mr Anshan:** Yes, although in fairness to Ontario Hydro, I think the 1992 update was approved by the board of directors of Ontario Hydro. I am not certain about that.

**Mr Jordan:** But it does include part of—

**Mr Anshan:** Yes. Your point is well taken, sure.

**Mr Arnott:** How much time, Mr Chair?

**The Chair:** You have 45 seconds.

**Mr Conway:** I thought it was 39 seconds.

**The Chair:** No, you are wrong; it is 45.

**Mr Arnott:** Thank you for coming in, first of all. On page 3 there is a suggestion with respect to the issue of policy directives. You are saying that the Ontario Energy Board could perhaps be given greater regulatory powers. Do you have any specific suggestions as to how that might be accomplished?

**Mr Anshan:** At the present time, the annual review of Ontario Hydro's proposed rate increase goes to the energy board for review and recommendation by the board, but it

is not binding. It seems to us that the government may want to look at the possibility of giving the energy board greater regulatory powers in that regard, in the same way they regulate the gas industry.

**Mr Huget:** Thank you for your presentation. I want to just touch on the fuel substitution issue and ask you your opinion. In the past there has been a practice of promoting electricity for space and water heating use. In your view, was that in the best interests of your customers?

**Mr Anshan:** Well, I was not around at the time that was going on.

**Mr Huget:** Mr Jordan was.

**Mr Jordan:** Thank you.

**Mr Anshan:** Maybe Mr Jordan should answer the question.

**Mr Jordan:** Be glad to.

**Mr Scott:** At the time electric heating was being promoted, it was thought to be in the best interests of our customers.

**Mr Huget:** You have no opinion of whether it is or not?

Interjection.

**Mr Huget:** Mr Chairman, are we into a round table?

**The Chair:** If you want to generate that type of dialogue, go ahead, Mr Huget. Otherwise, ask these people a question.

**Mr Huget:** Thank you very much. Would you agree, then, that your customers will no doubt have lower energy bills as a result of fuel substitution, and is that in the best interests of your customers as consumers?

**Mr Scott:** Well, we are finding right now that our customers are switching to other fuels without any subsidies.

**Mr Huget:** Yes. I did not ask for subsidy. Is fuel substitution, comparing the cost of electric heating to natural gas, oil, solar, wood or any other form of energy, going to be in the best interests of your customers in terms of energy bills? Yes or no.

**Mr Anshan:** We answered that, Mr Huget, by saying that we are not opposed to fuel substitution provided that it is economically viable and makes sense.

**Mr Huget:** Thank you very much.

**Mr McGuinty:** Just to pursue that a bit further, gentlemen, do you have any inkling or any indication with respect to your own commission as to whether fuel substitution would be good for me as a ratepayer?

**Mr Anshan:** Again, if it is economically viable, if it makes sense; as long as the rates do not increase as a result of subsidies being imposed.

**Mr McGuinty:** But do you have any feeling on that, based on your experience? Do you have any feeling, any numbers? What would you recommend to me if I were a ratepayer and I said: "Should I support Bill 118 or not? What is it going to mean to me? I don't want to switch off electricity. I don't like gas in my home." What would you tell me?

**Mr Anshan:** I can only tell you what is happening in our own community right now. For instance, in the water heater business we are losing a lot of water heaters to gas, and I think that is because market forces are dictating the decisions that customers are making. Again, I can only tell you what our position is, and that is that we support the idea of fuel substitution, provided it makes sense economically to the customer.

We have an ancillary issue, too, in terms of the effect it will have on our own local loads and our purchase of power from Ontario Hydro. But provided that other demand management activities can be put in place and we can manage our load and we do not increase our peak at certain times, I think we would be supportive of that as well.

**Mr McGuinty:** But again, from the perspective of a ratepayer, what am I to make of these swings? I can recall that at one time people were telling me I should at all costs get off oil, that there could be an oil shortage, there could be crises in parts unknown to me in the world, and as a result my oil costs would go up dramatically. Then there was a time Hydro was telling me that the best thing I could possibly do with respect to electricity was to use more of it. Now they are telling me that I have to use as little as possible, that I should switch to gas. What confidence should I have that gas rates will not go up in the future?

**Mr Anshan:** We cannot answer that any better than you can. Certainly nobody can predict what is going to happen internationally or in terms of world events, and that has had a great effect.

**Mr Roth:** The answer is very simple. We are doing this any time, switching VCRs, videos, CD players and whatever. Every three years we are switching all these things. So according to the technology advancing, we switch anyway.

**The Chair:** Mr Klopp, a brief question.

**Mr Klopp:** We talk about subsidies, etc. People from the nuclear industry were here the other day, and they were pushing that if Ontario Hydro quits buying nuclear, it will hurt their industry around the world. I asked them how it would do that. Do you know if Ontario Hydro helps the nuclear industry in Ontario, subsidizes it, other than just worrying about the electrical part of nuclear energy?

**Mr Anshan:** I am not aware of the detail of that. Do you know?

**Mr Scott:** No, I do not.

**Mr Klopp:** Would you be in favour of Hydro helping the nuclear industry in other parts of nuclear advancement? Would you consider that a subsidy?

**Mr Anshan:** We would have to consider that. We have not considered that issue.

**The Chair:** I want to thank the Hydro-Electric Commission of the City of York for taking the time to come here this morning. I should mention that we have been impressed—certainly not surprised, but impressed—with the interest this bill has generated across the province, and a wide range of views, as you can well imagine. Your contribution has been a significant one and we appreciate it very much, all of you. I trust you will keep in touch.

Transcripts are available not only of people's participation today, but of the whole series of meetings and presentations and deliberations. They are available free of charge through either the clerk's office or any MPP's office. I trust that some of you may be interested in that. Simply ask and you will get. Thank you.

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#### CANADIAN INSTITUTE OF PLUMBING AND HEATING

**The Chair:** The next participant is the Canadian Institute of Plumbing and Heating. Sir, please be seated. Tell us who you are and tell us what you will. We have 20 minutes. Try to save at least 10 for the type of exchange you have witnessed already.

**Mr Hardison:** Good morning, Mr Chairman and members of this committee. I am delighted to be here. I did not expect to be here this morning, but I had a call from a government office asking me if I would like to come and speak to you. I thought it was my obligation to do that, and that is why I am here this morning.

My name is Ed Hardison. I am president and general manager, the chief paid officer, of the Canadian Institute of Plumbing and Heating. CIPH is a not-for-profit trade association established in 1933. We represent the interests of the manufacturers, wholesale distributors and manufacturers' agents who produce and sell plumbing and hydronic heating products in Canada. We have about 200 operations in Ontario with total sales exceeding \$1 billion. Total employment is estimated at over 6,000 residents of the province. We are consumers of electrical power and we manufacture and sell products that consume electrical power.

Our membership includes over 90% of the key companies in the plumbing and hydronic heating industry. Hydronic heating is hot water heating, so when I speak of heating, I mean hot water heating.

CIPH supports the amendments to the Power Corporation Act, providing the new act will:

1. Encourage conservation of electrical energy by companies, institutions and home owners. Every citizen should have access to economical electrical power, but those who waste it must pay the price.
2. Provide clear educational guidelines to all electrical energy users. Ontario Hydro has begun an impressive program of education, and it must be expanded.
3. Reduce the dependence on electrical heating where practical. Electrical heating has proven to be expensive and a drain on the Ontario energy pool.
4. Maintain the high standards of Ontario Hydro while curtailing or eliminating its marketing programs and staff. Ontario Hydro seems to have lost its vision as a public utility.
5. Ensure that economical electrical power is available in the future to new and/or expanding businesses. CIPH's vote for conservation is not a vote against nuclear-power generation of electricity.
6. Maintain Ontario Hydro as a government-owned corporation with a minimum of political interference. Ontario

Hydro should be a provider of quality service with a goal to be the best in the world.

CIPH companies depend upon economical electrical power to maintain and expand their own businesses in Ontario. CIPH members believe that other sources of heating of buildings must be developed and exploited. This is the commercial. Hydronic heating systems have proven to be superior to electric baseboard radiant or electric forced air systems. Hydronic heating is also more economical. Hydronic heating boilers can be fueled by gas, oil, wood and, of course, electricity, and they can also be hooked into ground-looped water systems. Hydronic heating can be installed and economically used in every area of the province. So yes, we do have a commercial reason for supporting a reduction in electric heating. Our hydronic industries have not been able to compete with the marketing programs of Ontario Hydro in the past, and that has led many Canadian home builders, for instance, to install electric heat.

On a personal note, in the past 26 years I have owned or at least been the holder of the mortgage on four houses. Three of the four had used electric heat, but not by my choice. I bought the home, not the heating source. In each case I would have preferred another source of energy and another system. In each case the builder chose to install electric heating and electric hot water heaters. Even in my first home, which was heated by natural gas, the water heater was electric.

Yes, hydronic heating can provide a wonderful answer to the proposal to retrofit electrically heated homes and buildings in Ontario. In many instances it may be more satisfying for the owner. Why? Because it is space efficient and provides clean, quiet, easily controlled warmth. I told you this was a commercial. It may require a minimum of construction changes as well, and it can be used as a heating source for hot water.

Finally, hydronic heating can be backed up by solar heating. In our estimation, solar heating panels are a "possibility" for future Ontario buildings.

This leads me to the other large consumer of electrical energy that is provided by the plumbing industry: the hot water heater. CIPH manufacturers are now providing high-efficiency hot water heaters that can utilize natural gas, propane, electricity and oil. Ontario Hydro should encourage all households either to upgrade to the new super-efficient hot water heaters, or better, get off electricity altogether. Heating domestic hot water with electricity is not a wise use of the energy source. Ontario citizens have paid and are paying a premium for this service. In many countries of the world hot water is provided by solar heaters. At one time, solar hot water heaters were quite common in North America.

I would like to add at this point that you might think I am advertising solar. We have nothing to do with solar. This is a general overview we are trying to give you. However, cheap electrical power and a high-powered advertising program wiped out the manufacturers of solar hot water heaters. Although expensive, they are efficient and over time will pay back the initial cost. There may be a time in the future at which a return to individual solar hot water heaters will make sense.

Hydroelectric power is the old paradigm for cheap and plentiful energy in Ontario. The new paradigm was supposed to be nuclear-generated power, but in fact the paradigm shift we need is to conservation, not only of electrical energy but of all our alternative sources of energy. That is why I raise the question about solar. It is a resource that is never-ending.

Ontario is blessed with an abundance of electrical power and Canada is blessed with an abundant source of natural gas. Canadians, and particularly citizens of Ontario, have shown a wonderful willingness to conserve, to be part of the solution rather than part of the problem. Bill 118 to our members appears to be an excellent start to our blue box response to the conservation of electrical energy.

I thank you for this opportunity to present our views, many of them personal. In closing, I want to quote Sir Clifford Sifton, who said in 1910, "The best and most highly economic development and exploitation in the interest of the people can only take place by having regard to the principles of conservation."

**Mr Klopp:** Thank you. I think that is a very good brief. You bring some technical standards with the water system and whatever.

I am intrigued by this solar heating. What year did that happen and when did it die out and all that good stuff?

**Mr Hardison:** If you go to a country like Israel, you will find that all their domestic hot water is provided by solar power. If you had been in Florida back in the 1930s and early 1940s, you would have found that the hot water heating in most of the homes in Florida was supplied by solar energy.

It is a market that is not necessarily going to work all over Ontario, but it is an area we need to look at. Again, we have taken a long-range look. We are not looking at it for the next three or four years. We think that has been a problem with Ontario Hydro. They have working in five- and 10-year plans and maybe should have been looking a little further. On one hand they produced power, on the other hand they were out attempting to sell more than they produced. This was wrong; that is my impression.

**Mr Klopp:** Thank you very much. That is my impression too.

**Mr B. Ward:** I appreciate your brief today. Just a quick question: There are a number of energy-efficient programs available through energy. I was just wondering, are they pertinent to your membership, and if so, are there ways that perhaps communications could be improved so that more members are aware of what is available?

**Mr Hardison:** We are working with the government in bringing briefs before it about hydronic heating. Many of you may wonder what I am talking about when I am talking about hydronic heating. Any of you who are older than 50 can recall growing up in a house that had big cast-iron boilers around its perimeter. That is hot water heating. It was tremendously efficient and it did a good job. The problem was that it was expensive and when other heating forms came along that could undersell it, immediately the home builders, not the consumers, switched over to other sources of energy, other sources of

heating systems, that were not necessarily the best. That is why you hear the advertising all the time now on radio and television to have your ducts cleaned. We did not have ducts when I was a kid.

We are concerned that there may be something like the off-oil program, which we think was a good program but not well-thought-out. Not enough industries, not enough associations like the Canadian Institute of Plumbing and Heating, were brought in by government and the committees involved and told: "Okay boys, give us your best shot. Tell us what we should be doing." We think this is important.

#### 1050

You have all seen the article about \$2 billion from Ontario Hydro to convert to furnaces. I am not here to sell you furnaces. I am here to sell you heating systems that work for consumers. Too often we tell consumers what they should have and once it is installed, as in my own case, it is not what they want. I think we need more consultation.

**Mr McGuinty:** As a result of the conservation campaign being carried out by Hydro now and as a result of some of the publicity coming out of this committee, I think what is permeating the consciousness of most Ontarians is that the best thing we can do is to get off of electricity. You are telling us something here that is perhaps a bit different, that there are ways in which we can use electricity to heat that are extremely efficient. Can you tell me a bit more about that?

**Mr Hardison:** I think your first perception is wrong. I am a typical Ontario citizen. If you think the typical Ontario citizen knows what is going on in this room or understands what we are talking about, I think you are wrong. Most of them moved into houses where they did not control the selection of the heating and most of them are going to move into houses where they will not control the source of energy or the style of heating. I believe Ontario Hydro has done an excellent job talking about illumination and how you can save energy in illumination. I think they have yet to really start when we are talking about the major sources of energy: water heaters and electric heating.

There are possibilities, for instance, with hydronic heating, that is, hot water heating. You can heat the boiler with electricity. It reduces the cost or the amount of electricity used dramatically. There is conservation there. I am not positive—in fact, I would be reluctant to state, so I am not going to—that electricity should be used in any form to heat houses where it is practical to use another energy source. "Practical" is the key word here.

What we all need, you gentlemen in this room and the industry, is wisdom. We need to go forward together as a team and not do screwy things because of political influence or because of industry influence. I am trying to influence you from my industry's point of view, but I am also trying to influence you from the point of view of what I believe is best for this province. My members do subscribe to that.

**Mr McGuinty:** I wonder if you can answer this question for me, Mr Hardison, and if you cannot, just say so: Is

it more efficient, in terms of using energy, for me to heat my house with a heat pump or through natural gas?

**Mr Hardison:** I am telling you now as a consumer, not as an expert, that I have a heat pump and I prefer natural gas. If I were looking at it solely from the total cost of heating my house, natural gas would be cheaper at this point in time. There are other sources of fuelling a heat pump and of fuelling an energy system that do not use natural gas and will not use electricity. They are starting to be explored in this province.

Heat pumps, once you get north of Barrie, I would not like to heat my house with. I can tell you that two weeks ago during our cold weather I had to shut down the heat pump and turn on my auxiliary heating, which is electrical—not a very happy situation because my fuel bill went out of sight. Heat pumps are not the answer. Again, I do not pretend to be an expert on this, Mr Chairman. If you are going to explore alternative types of heating, you need to put all the associations who represent the interests of the manufacturers and the wholesaler distributors in a room together to discuss it and come out with some findings that take the marketing out and keep the scientific fact in.

**The Chair:** Research has asked me to ask you, what about what you have said in the context of cooling rather than merely heating?

**Mr Hardison:** My last house does have central air. Mr Kormos, I choose not to use it. I am now talking about residences. I do not represent the air-conditioning industry so I can say this. I think air-conditioning may have been overdone in this province. It is a convenience we may have to do without in the future. The Premier said we have to pay a price. I think that may be one of the prices we are going to have to pay. That does not mean we should not be air-conditioning offices and buildings where you have a lot of people. You can air-condition a hydronically heated house. You can air-condition any house you want to.

Maybe the best way of air-conditioning, in my non-professional estimation—it does not look pretty but it works—is to stick an air conditioner in the window of the room you want to cool. Why cool the whole house? If you have a kitchen that is at 65 degrees and a bedroom that is at 65 degrees, that makes no sense to me at all. I think we need more common sense in this whole area. Ontario Hydro can be the driving force behind it, or the cost of energy is going to be the force behind it.

**The Chair:** Ontario Hydro is not the only institution that needs more common sense.

**Mr Jordan:** Thank you, sir, for your presentation. I understand you had to do it on short notice; you just got a call yesterday.

**Mr Hardison:** No, do not let me give you that impression. I was asked if I would be interested in appearing before you some time in mid-December, I believe. It has just been a busy four weeks since that phone call.

**Mr Jordan:** I thought you said, "I didn't realize until yesterday I was going to be here."

**Mr Hardison:** No, sorry, I did not mean to say that.

**Mr Jordan:** Anyhow, that is beside the point. To have to prepare a presentation on that short notice is—

**Mr Klopp:** Pretty damned good.

**Mr Jordan:** I agree. A large sector of the public, of the customers, want a controlled environment. We are progressing and we are not hard up in Ontario for a source of energy, whether it be solar, nuclear, oil or coal.

**Mr Hardison:** Agreed.

**Mr Jordan:** Surely you are not recommending that we go back to a piecemeal home where I am going to stay in the kitchen because it is cooler in there. I am not going to go and sit in the living room when you come to visit me and say: "No, don't sit in there. My air conditioner is over in this corner." Are you trying to promote that, after these years in which we have progressed?

**Mr Hardison:** Quite the opposite, sir. What I am trying to promote is that we need to control the temperature, be it in the summertime when it is cool or in the wintertime when we want heat. We need to control it so that each room is the temperature we want it at. Currently, when we air-condition a house the whole house is cool. We may not want the whole house cool; we may not want the nursery cool.

**Mr Jordan:** You mean we cannot zone air-conditioning? Come on.

**Mr Hardison:** No, I am not suggesting that we cannot zone air-conditioning. But if you are going to hook it into a central air system where you have no control—the only control you have is to shut off a vent, go over and pull it out of the floor, put the flaps closed and put it back in. This is supposed to be the 1990s, moving on to the 20th century. I do not believe that is an effective way of controlling temperature in any room.

**Mr Jordan:** There is technology available, though, to zone-control the home for heating and cooling.

**Mr Hardison:** Yes, there is.

**Mr Jordan:** Thank you. The other point is, when you talk about solar heating you are referring to Florida and Israel. Let's get back to reality: We are in the province of Ontario.

**Mr Hardison:** No doubt about that. Again, I am not here to represent the interests of solar heating. I am simply saying let's not shut down our minds about anything.

**Mr Jordan:** I agree. If you are familiar with the research department of Ontario Hydro, my criticism of that department is that it does not get out more white papers showing what it has studied to date. We do not know what they have studied to date.

**Mr Hardison:** Not only that; neither do we.

**Mr Jordan:** But we should know.

**Mr Hardison:** Yes. If they were getting that information out to associations that had a vested interest in what they were doing, we might be able to assist them as well. I agree.

**Mr Jordan:** Regardless of how you want to run the motor or the circulator of the water or whatever you are going to use in the lines, the heat pump has certainly been

given a lot of research, not only by Ontario Hydro but by the industry as well. I could give you facts, and I am sure you are aware that they are available, that there is a big saving in heating and cooling for a controlled-environment home using the heat pump.

**Mr Hardison:** I do not disagree with that. Again, I have a heat pump in my own house and I do heat and cool my house using the heat pump. It certainly is less expensive than other systems I can have.

**Mr Waters:** I represent Muskoka. I know that right now Hydro and those people are encouraging groundwater heat pumps and throwing whatever it is that they use for collection in the bottom of the Muskoka River or whatever. Does this make sense?

**Mr Hardison:** It may very well, but so few people know about it. I do not pretend to be an expert, but the situation is that the consumer could be held hostage by somebody who takes his money and runs. The general sense of the scientific background as I understand it is that a very solid and good system can be created, but I do not know about the manufacturer of the system.

**The Chair:** On behalf on the committee, I want to tell you that we appreciate your interest and your readiness to come here and talk to us and answer questions as candidly as you have. It has been again, like so many others, a valuable contribution and we sincerely thank you, sir.

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#### CONSUMERS' ASSOCIATION OF CANADA (ONTARIO)

**The Chair:** The next participant is the Consumers' Association of Canada. Please seat yourselves, tell us who you are and commence your presentation. You have 20 minutes, but please leave at least 10 for questions and dialogue if you can.

**Ms Huzar:** I am Joan Huzar, president of the Ontario branch of the consumers' association. With me is Peter Dyne, the chair of our energy committee. I will just start off by giving you a brief overview of the CAC, the consumers' association.

We are a national organization and I represent the Ontario branch of that national organization. We are the largest organized consumer group in Canada. In Ontario we have over 40,000 members. Consumer advocacy, consumer representation, consumer education are what we are really all about.

We have had a long-standing interest in energy issues. The impact of energy policy on the wellbeing of the residential consumer is our concern. Back in September of 1989, we made a submission to the select committee on energy that was looking at Bill 204, An Act to amend the Power Corporation Act. In that submission we expressed serious concerns about the level of independence of Ontario Hydro. We identified at that time that there was a need for both increased government scrutiny and regulatory oversight of Ontario Hydro's activities. Now we are back again and are pleased to be able to comment on this most recent act to amend the Power Corporation Act.

Peter, do you want to speak?

**Dr Dyne:** Thank you. I will be speaking to the brief, which I understand you have.

First of all, the clear definition of accountability: Ontario Hydro has a very significant role in Ontario's economy, and it is entirely appropriate that there is a clear definition of accountability, essentially that Ontario Hydro and the government work together in harmony so that we support the overall objective of the bill. The appointment of the deputy minister to the board is an extremely good step, which should aid communication between the minister and the minister's office and the Ontario Hydro board. But the one thing in the act which will help cooperation between government and Ontario Hydro is that one measure.

We are somewhat concerned as to the language which is in the legislation, of whether it is a matter of control of Ontario Hydro or accountability. Some of the supporting material leaves us to have the impression that the object is to give the minister more control; there is a distinction. It would apparently give the government power to intervene in technical and engineering matters. We feel that Ontario Hydro's technical record in safety and reliability is good and we would not want anything to be done that would mitigate against that. We are concerned that the power of the government of the day to issue policy directives should not become a vehicle for ad hoc intervention in the affairs of the corporation.

En passant, we note that there is a larger board. In our experience a larger board does not necessarily mean that other views are listened to. They may be heard, but a larger board dilutes the input and in fact it is much easier, from personal experience, for a strong chairman to dominate a larger board than a small one, but that is a minor matter.

Terms of reference for policy directives: Section 2, the amendment to section 9a of the act, when it is properly used, allows a minister to make changes in policies and programs which are appropriate but are not necessarily things which the Ontario Hydro board of directors would regard as their first priority. This measure permits that and we certainly think that is appropriate. However, the wording in the legislation is much too broad and we would not want to endorse the wording as it now stands. We would recommend that the wording and language be changed so that the policy directives must be of benefit to electricity consumers and to energy users in the province. We note that in the supporting material the minister said he is going to do that. Fine, but we want to underline that point.

In addition, policy directives which are relevant to larger areas, things like CO<sub>2</sub> and global warming, should be a part of larger legislation and not used in a sort of ad hoc manner in these policy directives to what Ontario Hydro is involved in.

Consultations and hearings: Section 9a says the minister will be consulting with members of the board, but in view of the scope which is apparently envisaged for some of these policy directives, we feel there should be an opportunity for public consultation and, in particular, consultation with the Ontario Energy Board, specifically in the matter of energy fuel switching, which we are talking about. The question somebody has to answer is, "What is the future price and availability of natural gas?" The Ontario

Energy Board should be consulted on that. A mechanism to deal with that type of concern should be built into this legislation.

We are concerned about language which anticipates opposition by the board to these policy directives; it just raised our curiosity. For instance, section 9a seems to anticipate a case where the board is telling the minister that it is not prepared to be responsible for these policy directives. How on earth could a situation like that arise? If they are that concerned, either the board members should resign or the minister should reconsider his directives. We are puzzled as to why that has to be put in.

It also states, "Compliance with a policy directive shall be considered to be in the best interests of the corporation." Why does that have to be said? Would the ministry issue policy directives which were not in the best interests of the corporation? Either please clarify what is behind these clauses or eliminate them. In fact, we feel that the wording we are looking for which gives the frame of reference to the policy directives will in fact deal with that.

The changes on conservation strike out of Ontario Hydro's mandate anything to do with electrical energy and electrical heating. That is necessary, of course, so that you can have this fuel-switching operation. We understand that. But this legislation, as read, means that Ontario Hydro could be the government's agent to, for instance, support programs to increase efficiency of gas furnaces. Is that the government's intention or is it not? That certainly needs clarification, because it is quite a change.

As an observation, the consumers' association feels, yes, Ontario Hydro should be responsible for efficiency and conservation in electrical energy. But efficiency in the use of gas is the responsibility of the gas utilities, somehow or other, and it is separate legislation.

Then there is the matter of the cost of implementing the policy directives. The proposed legislation is quite clear that Ontario Hydro—which means the electrical consumer himself or herself—will pay for these directives. In so far as the consumer benefits, that is fine. However, in the case of the fuel-switching operation, the immediate beneficiary is the person who switches to natural gas. The numbers given us by the Ontario Ministry of Energy talk about a saving of \$1,000 or \$2,000 a year; that is real money over three years. The other consumers' benefit is sort of hypothetical in that their rates will not have gone up as much as they might have. It is a hypothetical proposition over 20 years.

We feel the legislation should be amended so that this particular problem is identified. It can be fixed. Things can be done. But it is of serious concern for us as a consumer. We feel that legislation should clarify the way in which that problem is going to be addressed.

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The last item is capitalization of the costs of conservation measures. Since the main argument, for instance, in fuel switching is that it is going to reduce capital costs for generating equipment, it is entirely reasonable that the conservation costs should be capitalized.

In summary, yes, the overall objective of this legislation, as we read it, is laudable. However, the power given

the minister to issue policy directives needs precise definition. We note that we have material which says that is going to be done. Public consultations, particularly with the Ontario Energy Board, are certainly desirable in the frame of reference we are talking about. The allocation of costs, which we also see the minister said he is going to do something about, requires further consideration.

**Mr McGuinty:** Ms Huzar and Dr Dyne, I will categorize this as pure gold, very impressive. You showed much perception and insight and I am not sure where to take this. I am particularly pleased that you have indicated that the intent here is one of increasing and improving accountability. The question remains, however, as to whether that objective is really being obtained.

You raise the question as to whether the government's intent is in fact to increase accountability or rather to establish control. Through your association, you must receive communication from members. Just being a resident of Ontario and living in Canada today you would understand that people do not take great comfort today in knowing that somehow government is going to step in and look after some particular area.

You are the first people, I believe, who have commented that there may be problems in implementing a larger board. I wonder if you can elaborate your comments there a bit further, please?

**Dr Dyne:** This relates to my personal experience before I retired. To be brutally cynical, if I were a minister and I wanted to really get an operation like Ontario Hydro under my thumb, I would make the chief executive officer my appointee, which is also in the legislation, and I would give him a large board, because a large board cannot really discuss things and come to grips with things. The dynamics of those situations is that there is always an executive committee, and then there is a finance committee which make the real decisions. That is a cynical observation. The essence is that the intent is good, that more people are heard, but—I am repeating myself—it is not clear to me that this mechanism will mean more people are listened to.

I am not privy to the dynamics of the Ontario Hydro board, so I do not know exactly how it works, but from other experience, my reaction is ho-hum on that. But it is in the legislation. It will go through. There is no point in making an issue of it.

**Mr Jordan:** I have just a couple of quick questions. First, rather than getting completely involved in the mechanics of this bill and what it can do and what it could do, what Ontario is looking for right now is some certainty of supply and some guarantee of what the cost will be. What, in your opinion, should we as a government be doing to try to give that certainty of supply to the province, to the people, and some guarantee of what the cost may be, rather than just throwing out a 44% increase?

**Dr Dyne:** You have to do your homework and your staff work correctly. The question about security of supply in gas is very relevant. I raised this thing in my answer to you. We have also now got a letter from the gas utilities to us saying they are concerned about this business of people

entering into contracts because they cannot guarantee security of supply over a five-year period.

**Mr Conway:** No kidding.

**Mr Jordan:** That is right.

**Dr Dyne:** That is what they say. I am not telling you whether I believe that or not; that is what they are saying. Let me make that perfectly clear. The other thing is that the Ontario Ministry of Energy had consultations with groups like us, and one of the questions was, "What should be done if the price of gas should go up or its security of supply were reduced"? My reply—it was rather tart—was that somebody should have thought of that question before they proposed the legislation. I think it is reasonable, but there has to be some good staff work.

**Mr Jordan:** The MEA this morning stated that any of these directives should be laid before the Legislature within 15 days of their receipt by the board. You point out different areas where the directive might not be in the best interests of the corporation, therefore the board member may not want to have a positive view on them, but even though he votes, he is not accountable for his actions. Would it not be a fair thing to put that directive before the Legislative Assembly so that it can be discussed and the people can be aware of the contents and its effect on Ontario Hydro?

**Dr Dyne:** The problem with that question is, I do not really know the sort of things being envisaged in these policy directives. The particular thing we are talking about is fuel switching, and I do not really think that has to come before the Legislature. It comes before other organizations. But you are echoing the sort of concern I had. There is a sense that these policy directives may have all sorts of others things, and I do not know what is really in the mind of the government. Some preamble, terms of reference, to these policy directives would clear that up, and when we see the wording of those terms of reference, then you could decide whether it is worthwhile bringing it before the Legislature or not.

**Mr Arnott:** Thank you, Dr Dyne, for your presentation. I was pleased to hear about your concern for the security-of-supply issue, and I guess if we go back a number of years to the time when Ontario Hydro initiated its policy, Live Better Electrically, that was the prime motivation behind it, a domestic, local security of supply. Hind-sight is very wonderful, but do you not think at that time, when that program was initiated, there were some fundamental reasons for putting it forward?

**Dr Dyne:** Were there sound reasons for security of supply in 1974? Yes.

**Mr Waters:** During the hearings, as we have travelled, we have heard from different municipal electrical utilities that they feel they should make up the biggest part of the Ontario Hydro board or a substantial amount of the board. Looking at the best bang for the buck for the consumer in energy costs, my question would be, do you feel they should actually take that position on the board? Would that be a recommendation coming from you, or do

you feel they would have a vested interest in more hydro, more power plants?

**Dr Dyne:** Municipal electrical utilities have to be well represented on the board; that is a given. To give them more power—the problem with your question is, more than what?

**Mr Waters:** If their numbers were greater on the board, so that they—

**Dr Dyne:** Greater than what?

**Mr Waters:** Let's say they made up the majority on the board.

**Dr Dyne:** I do not think that would be a good balance.

**Mr Klopp:** You said a little earlier you have a letter from the gas company which says they cannot guarantee supply in this country over five years?

**Dr Dyne:** We have a letter from the gas company which had also been sent to the minister, and this deals with this practice that you pay the gas companies to deliver the gas, but you can simply go to a separate producer and have a bargain with it and you get a lower price for your gas. There are house-to-house salesmen going about doing this. The gas utilities are saying that under those circumstances, when you are dealing with—pejorative phrase; these are my words, not theirs—fly-by-night operators, they cannot guarantee security of supply and they are concerned. My recollection is that they are concerned that five years hence the current surplus of gas will turn around, and those people who are operating on this ad hoc basis will raise their price because they can get a better price selling to California, and the consumer could be shortchanged. So that is their concern.

**The Chair:** Thank you, sir. Thank you to the Consumers' Association of Canada for participating.

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#### TORONTO ENVIRONMENTAL ALLIANCE

**The Chair:** The next group is the Toronto Environmental Alliance. Please come up and introduce yourself. You have 20 minutes. Please reserve the latter 10 at least for participation in dialogue and questioning. Go ahead, sir.

**Mr Coffey:** Thank you very much. My name is Gerard Coffey and I represent the Toronto Environmental Alliance.

**The Chair:** I know people are listening carefully to you, sir.

**Mr Coffey:** Yes, I understand that. The Toronto Environmental Alliance is a group that was formed in 1987 to deal with environmental issues in the greater Toronto area. As for my own background, I was a former director of Ecology House, which was a resource and energy conservation demonstration in the city of Toronto, so I have some background in this area.

What I would like to say is that the Toronto Environmental Alliance believes the provisions in Bill 118 which would allow Ontario Hydro to finance fuel switching by its customers are in the best financial and environmental interests of the citizens of Ontario. Financing of fuel switching

will maximize environmental gains from use of alternative fuels, reduce energy costs to a major portion of Ontarians and reduce rate increases for everyone.

The purpose of energy: The Toronto Environmental Alliance is aware of the need to provide electricity generating capacity for future generations of Ontarians. Population is growing and there will always be a need to supply electricity for the things that electricity allows us to do well.

On the other hand, we are also aware of the great social and environmental costs—such as global warming and acid rain, to name but two—that the production and consumption of energy, including electricity, imposes on society as a whole. These costs, I might add, are also borne by those in other parts of the globe whose energy consumption is but a small fraction of our own and who therefore contribute little to the global problems which will affect them.

The Toronto Environmental Alliance believes the answer to this conundrum lies in our view of why we produce energy such as electricity. We obviously do not produce energy or electricity for its own sake, nor even as a job creation strategy, although this is a useful side-effect. We produce it for the things it can do for us that enable us to live better lives; in other words, for its end uses.

The purpose of end use satisfaction means that wherever possible, providing the same services to the public—that is, to ourselves—by more efficient methods or by use of more environmentally and financially cost-effective fuels is the only real way to delink population and economic growth from higher energy use and from higher environmental and social costs. The value of this particular approach to electricity generation is underlined by the fact that energy efficiency, including fuel switching, is in fact cheaper to buy than new capacity. Efficiency thus reduces costs to consumers, to the public, which pays for Ontario Hydro programs, and to society as a whole, which bears the costs of environmental degradation.

Provision of new generating capacity for new uses and for larger populations has in fact already become a major financial problem for the citizens of Ontario. New generating capacity, especially nuclear, is extremely expensive to build and has major financial after-effects.

Because of previous reliance on new capacity rather than end use efficiency, and because of the cost overruns and poor performance of that installed capacity, Ontario Hydro, and therefore the taxpayers of the province, have amassed a debt of \$30 billion in return for such assets as its nuclear generating stations, which in our opinion are of dubious value. Nuclear stations also have major environmental costs. Highly toxic spent fuel must be stored and monitored, and the plants themselves are subject to expensive decommissioning and subsequent monitoring procedures.

It is our view that the value of Ontario Hydro and in fact all other energy utilities to the citizens of Ontario lies not in their pure ability to provide energy, but in their ability to satisfy our end use requirements at the lowest social and environmental cost possible. In terms of electricity generation, energy efficiency programs, which include fuel switching, presently provide the most

environmentally sound vehicle to meet those goals. They also happen to have the lowest cost.

Fuel switching for residential and commercial customers is one of the most useful efficiency options open to the utility at this time. With regard to the residential sector, Hydro estimates that approximately 500,000 homes in the province are electrically heated and 1.26 million homes have electric water heating. Even though these estimates do not include multistorey residences or some specific forms of single-family homes, the potential is obvious.

In environmental terms, the value of switching these homes from electric space and water heating cannot be underestimated. Greatest heating demand is experienced during the major peaks of the winter season. This demand is mostly met by electricity generated by coal-fired stations, which are responsible for large releases of CO<sub>2</sub> and acid rain.

A switch to fuel such as natural gas will have a major beneficial effect, as it produces only half as much CO<sub>2</sub> as coal. Studies such as the Passmore study recently presented to this committee have suggested that substitution of a mix of 50-50 gas and oil heating for electric residential heating between 1975 and 1991 would in fact have resulted in a reduction of between 53 million and 128 million tonnes of CO<sub>2</sub>, 840,000 to 1.4 million tonnes of SO<sub>2</sub> and between 218,000 and 399,000 tonnes of nitrogen oxides.

We do not, however, concur with the view of the Municipal Electric Association that market forces alone are sufficient to move consumers to switch from electricity to an alternative less costly and more environmentally beneficial fuel. In a perfect economic world, those rational choices might indeed take place; however, our world is far from being perfect in any sense and a number of factors are present which we believe impede this valuable move to alternatives.

Not all consumers, especially lower-income families and individuals, are in possession of the information needed to convince them to make the move. Even if such information were more widely distributed, access to credit needed to capitalize conversion is not always available. Again, this is of particular importance in the case of lower-income groups. Also, many tenants have no control over the type of heating installed or operated in multistorey residential buildings, yet must pay the costs. We therefore believe that in order to maximize environmental and economic benefits, Ontario Hydro must have the capacity to make funds available for fuel switching.

In relation to the point regarding control of heating systems by tenants, we believe this government should go further than the provisions in this bill to discourage the use of electric space heating. Even when this bill is passed, builders of residential and commercial units will still have an incentive to use electric space heating, even though it may be the least desirable form of space heating on the market.

Ontario Hydro itself recognizes that despite the availability of natural gas, some 25% of new homes are still being built with electric space heating. The reason for this is not hard to find. Baseboard heaters are simple and cheap to install, thus bringing down the purchase price to the

buyer and making it more attractive, no matter what the financial or environmental consequences to the occupants or the public at large. It is therefore our recommendation that the government investigate methods to discourage the use of electric baseboard heaters in new single-family and multiresidential units across Ontario.

To conclude, the Ontario Round Table on Environment and Economy has recommended that in order to reach a sustainable economy and a sustainable society, what we need to do is include all external costs in the price of our resources. In other words, we have to include the social and environmental costs as part of the equation. It is our view that this is the only rational option open to us if we are to reduce the impact of the environmental degradation presently under way.

Meeting our needs for warm houses, cooked foods and reliable transportation must therefore be done with methods and with fuels which will minimize the social, environmental and economic impacts of energy use on the citizens of the province and, indirectly, the citizens of the planet. We must also meet these needs in a proactive way and not rely on the imperfect functioning of market systems to achieve the results required by society. We must therefore strongly recommend to this committee that the recommendations of Bill 118 which would allow Ontario Hydro to finance fuel switching by its customers be passed.

**The Chair:** Thank you, sir.

**Mr Coffey:** How am I doing?

**The Chair:** You are doing fine. You are doing a lot better than a whole lot of other people who are here daily.

**Mr Coffey:** I am running on adrenalin this morning.

**The Chair:** You are a conservationist. You conserved time very effectively today. Mr Arnott, three minutes, please.

1130

**Mr Arnott:** Sir, I am just wondering, if Bill 118 is passed and many people in Toronto are encouraged to get rid of their electric heating and replace it with something different, I assume there are going to be a lot of extra electric furnaces, baseboard heaters and so forth that are going to end up in the garbage dump. Do you support that aspect of it?

**Mr Coffey:** I do not support waste of any kind.

**Mr Arnott:** Do you not see that as being a direct result of encouraging people to switch from one source of heat to another?

**Mr Coffey:** Of course it is a direct result, but there is no need to imagine that these electric baseboard heaters, which are made of metal, cannot be recycled in some way, or that furnaces cannot be reused in some other fashion. I do not support waste in any shape or form. However, when we look at our options for heating, and for any other kinds of policies that have an environmental impact, what we have to do is take the whole picture into consideration. I believe the major implications of energy use—and they are indeed major—far outweigh the impacts of getting rid of some baseboard heaters and recycling them.

**Mr Arnott:** Do you really believe that those will be recycled?

**Mr Coffey:** Absolutely. If I have anything to do with it, yes, they will. I believe that people in this municipality of Metropolitan Toronto in fact are well on the way to achieving high rates of recycling for metals and various other things.

**Mr Arnott:** I represent a rural riding in Wellington county. Do you think it is going to a province-wide situation that all those superfluous pieces of equipment will be recycled?

**Mr Coffey:** I would hope so. I cannot guarantee it. I am relying on the Ministry of the Environment, which I believe is quite progressive in this regard, to do those kinds of things.

**Mr Arnott:** Okay, thank you.

**Mr Jordan:** Thank you, sir, for your presentation this morning. The previous brief drew our attention to the fact that instead of air-conditioning the whole house, we could put an air-conditioner in the room that we wanted to cool. I just want to get your opinion on this: Instead of leaving the customer with the idea that he was given wrong information to have installed the baseboard heat, the company at that time had to come up with large amounts of generation to reach the peak load to keep Ontario humming industry-wise, and the valleys of power were there.

Talking about control, just one of the good points of your baseboard heat, if you can imagine one, was that you had individual control for each room. So in fact you did not heat your whole house to 72 degrees; you could have any section of it at whatever temperature you wished to have it, even in hospitals and nursing homes. I know in my riding when I go into a nursing home that is centrally heated, God bless us, some of those areas are like ovens.

**Mr Coffey:** Yes, I agree.

**Mr Jordan:** Those people who are there would give anything to be able to go over to the wall and set that thermostat at the temperature they would like. There is no other energy on the market that can have the on-location control like electric can. I submit to you that in public buildings, with this program of the government going to natural gas in its non-profit housing because the fuel—one part of it is cheaper. But I know, from having gone around campaigning, what I found in the non-profit housing is that there is no control of the heat because they are not responsible for the cost of the heating.

**Mr Coffey:** If I can just respond to three of those points, working backwards, yes, I believe it is a real problem that tenants in fact are not responsible for their own heating costs, because as I pointed out, what that does is allow builders and owners of multiunit residential buildings to install heating systems which have no regard for their ultimate costs to the consumer and to the public. We would like to see some more control in the hands of the tenants, and we believe that would move people away from electricity because it is so expensive.

Coming back to your second point, I believe there are heating controls for fuels other than electricity to allow us

to control temperature in individual rooms. In fact, the house I live in has an old gas-fired hot water system. It has a tap on the rad. If I turn it off, the heat goes down. I do not think it is an insoluble technical problem.

To go back to the first point you made, we did not build up a huge generating capacity to allow Ontario's industries to keep humming. That is base load electricity. The problem is that the large peaks are in fact heating and other non-constant uses.

**Mr Jordan:** No, but the large ones took over the base—

**The Chair:** Mr Jordan, we have to move on to Mr Huget.

**Mr Huget:** Thank you for your presentation. I want to touch particularly on the accountability issue and the policy direction issue. Some of the things we are talking about throughout these hearings are fuel substitution and the obvious economic and environmental benefits to substituting fuel. I would like your views as to whether or not initiatives like energy efficiency, conservation and indeed fuel substitution would take place without some government policy direction to Ontario Hydro.

**Mr Coffey:** I have no doubt that some would take place. The market will drive some of it, but the point I tried to make is that it certainly will not drive the optimum amounts or even the maximum amount that we would prefer to see happen from an environmental and from a cost point of view.

Credit is not always available, especially to low-income people. I think these are the people who are impacted most by high electricity costs and also the people who are more likely to have had electricity installed in their multiunit and subsidized housing units. They are the very people to whom credit will not be available to make the switch. If we do not allow Ontario Hydro to subsidize this kind of thing, they will not be able to, whether they like it or not. It also assumes, of course, that they do have the information available to them to inform them that this is a useful thing to do.

**Mr Huget:** The point was raised yesterday that in new home construction under the building code it is mandated that homes be wired for electrical stoves and electrical clothes dryers. There was a view by the presenter that that was kind of an unfair situation too. What I am trying to lead to is, are there other things we can be doing in terms of dealing with the building code and the Energy Efficiency Act to make sure we are doing all the things we need to do to efficiently use and conserve energy?

**Mr Coffey:** I am not expert enough in those areas to tell you exactly what can and cannot be done, or what has not been done. However, I think the point you made about wiring for—electric towel racks, was it?

**Mr Huget:** Clothes dryers and stoves. If you want to do anything other than that, you have to pay a premium.

**Mr Coffey:** I do not personally think it makes a lot of sense to require that to happen. I think there should be some options available for people to use natural gas cooking facilities. I think the basis of this whole thing is that we

should be able to use the kind of fuels in our homes and new construction of any kind which minimizes social-environmental impacts. We should not be mandating the use of a fuel which we believe is detrimental to our environment and also to the welfare of people in general. That would be my basic answer.

**Mr Huget:** There are many other forms of energy; I guess the debate is really focused around gas here. I would like your views as to what else we can be doing to address the other issues, the other forms of energy. Are there opportunities there? I believe there are, and I would like your views.

**Mr Coffey:** Do you mean with regard to residential construction or just with regard to energy conservation in general?

**Mr Huget:** Energy in general.

**Mr Coffey:** Yes, I think there are. I deal, to a great degree, with waste management issues. One of the concerns I have with waste management and with disposal of materials is the amount of energy it takes to remanufacture those materials once they are disposed of. It costs us a great deal, both in terms of the energy production and consumption itself, but also in terms of the resource consumption. They have large environmental costs. Recycling, re-use and reduction of waste therefore have major environmental implications, major energy conservation implications. The more we promote these kinds of things, the less energy we will use.

I think there are major steps to be made within construction too. I recently stayed at a hotel which still in the middle of winter had single-glazed windows. It boggles the mind that large commercial buildings are still equipped with those kinds of things. If I ruled the world, it would not be allowed. I think it is a flagrant waste of resources. It is impossible to keep the heat up in rooms with large expanses of single-glazed windows. I think we have to put a lot of effort into doing those kinds of things.

**The Chair:** This committee room is as good an illustration of large expanses of single-glazed windows as any.

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**Mr McGuinty:** Tell me a bit more about the economics of fuel switching. What I would like from you is an assurance, an unequivocal assurance, if you can provide that, that rates are not going to go up as a result of fuel switching.

**Mr Coffey:** I cannot provide that assurance. What I can say to you is that as a result of fuel switching and energy conservation measures, they will not go up as much as they would if we had to build new capacity to provide extra energy. It is cheaper. It may not keep rates below what they are. It may not even keep them level with where they are at the moment, but rates—

**Mr McGuinty:** Are you telling me that notwithstanding the interests of the market—we have heard from many people from public utility commissions who are telling us that people are switching at a growing rate from electricity to gas only because it makes sense, and notwithstanding that I think the public consciousness is now being permeated with

the concept of conservation as a good thing, that without the fuel substitution program we are still going to have to build those large facilities?

**Mr Coffey:** I am sorry. My mind slipped.

**Mr McGuinty:** Maybe I am being a bit obtuse. The point I am trying to make is that I think there are a number of factors at play here which are going to take us in that direction, notwithstanding fuel substitution.

**Mr Coffey:** That we will have to build new capacity.

**Mr McGuinty:** That we are going to conserve because we cannot afford not to, because we now recognize that conservation is a good thing. One of the things I am realizing in my own constituency is that people are extremely conscious of the environment. I sent out my last householder; I had calls left, right and centre about the quality of the paper. People were smelling the ink and telling me it was not vegetable dye and all these kinds of things. There is a lot of concern and energy to be harnessed out there. You made the statement that we are going to save, that it will be cheaper than if we had gone ahead and built those other plants. The point I am trying to make is that we may very well not have needed to build those other plants.

**Mr Coffey:** We may not need to build those plants anyway. Is that your question?

**Mr McGuinty:** Because of the way things are going.

**Mr Coffey:** No, it is not conceivable. At some point in the future, my guess is that we will have to provide new capacity of some sort. There is only a certain depth in conservation, I believe. It obviously depends on what the cost of new capacity is. However, what I believe is that in the intervening period where it is still cheaper—and it still is cheaper to buy conservation than it is to buy new generating capacity—we should be putting a lot of resources into the development of alternative fuels, as opposed to research into nuclear power. Even though the market is driving the system at the moment and people are switching, I still believe, as was my experience a few days ago, there is a lot of conservation which will not happen unless there is some sort of financial incentive to make it happen.

It is unfortunate, but people in the hotel industry want to keep their costs down as low as they can. I, for one, am not in favour of subsidizing people in the hotel industry for any particular reason, other than that I believe if we do not encourage them to switch over we will have to find new power for growing populations or for growing industrial capacity and it is going to be more expensive to do it that way.

**The Chair:** On behalf of the committee, thank you for being here today, for taking the time out of your day to come and talk to us. I trust that you will keep in touch with your own MPP and other members of the committee.

**Mr Coffey:** Thank you for the opportunity.

#### MOOSE RIVER/JAMES BAY COALITION

**The Chair:** The next participant is the spokesperson for the Moose River/James Bay Coalition. Sir, please come forward; have a seat. Tell us who you are. You have 20 minutes. Tell us what you will.

**Mr Kapashesit:** My name is Randy Kapashesit. I am the chairperson of the Moose River/James Bay Coalition. I trust that everybody has a copy of this presentation. I will go through and hopefully answer any questions you might have.

As the chair of the Moose River/James Bay Coalition, I am also holding another hat, which is the chief of the Mocreebec first nation.

The Moose River/James Bay Coalition is made up of seven first nations in the Moose Factory/Moosonee area of northern Ontario. I will run briefly over those other groups that are involved with our work as a coalition: Moose Factory first nation; New Post first nation; Mushkegowuk tribal council, which includes northern communities as far north as Hudson Bay, Peawanuck, for example, Attawapiskat, Kashechewan, Fort Albany. We also have the Moosonee Metis Association, the Omushkegowuk Harvesters Association, which is a body that represents the harvesters on the west coast of James and Hudson Bay up from Peawanuck down to Cochrane, basically, and the Moose Factory Island local services board.

From the coalition's perspective, it has become very clear that here in Ontario we have become junkies; we have become addicts of electricity. The campaign that Ontario Hydro has been embarking on for the last few years of living better electrically has been really successful in encouraging people to consume—too successful, in our view.

As an example, after Norway and Quebec, we use more electricity per capita than anywhere else in the industrialized world. In the residential sector, we use twice as much electricity per capita as residents of New York state. Ontario's industrial sector uses more electricity per unit of product than its counterparts in Japan, Scandinavia, Germany and the US. Ontario's commercial sector buildings are designed with typically short-term thinking. Developers insist on low costs of construction to produce what some consider to be aesthetically pleasing towers of glass and steel with no insulation value whatsoever. Energy conservation measures are usually considered, if at all, after the fact.

I use the term "electricity addicts" and I think it is appropriate, because the costs for our consumption are great. We have examples of capital-intensive developments that have been pursued by Ontario Hydro, such as nuclear, coal and hydraulic megaprojects. Ontario Hydro's customers in all sectors are now just beginning to feel the costs of their addiction in their pocketbooks. I am sure all of you are aware of that.

The environmental costs of our addiction are even greater. Making electricity is a very dirty business. Ontario Hydro's past record and future plans for making more of it borders on the criminal. Burning coal acidifies our lakes, destroying the fish, pokes more holes in the ozone layer and adds to the real threat of massive climatic change. The lakes affected are, of course, not limited to those next to the fossil plants, but the effects extend far and wide to affect the lakes and streams used by people in the Moose River basin, for example, and elsewhere. Nuclear energy has left millions of tons of toxic nuclear waste leaching

into the Serpent River near Elliot Lake, from which the Serpent River first nation gets its drinking water.

As Canada looks for a place to dump its nuclear wastes, it looks at the north. In particular, from my perspective, the greatest concerns we have are those impacts that will, in effect, hit aboriginal communities, aboriginal lands and aboriginal people.

I want to just stop there for a second to expand on that, because I think this point is something that is very real. In the history of this country, when it comes to developing Indian policy, it is no secret that the governments of this country have looked south of the border to see how the United States has dealt with Indian people. Very clearly, Indian communities in the States, primarily because of the legal nature of their reserve lands, have been targeted for energy waste, nuclear waste sites and toxic sites, because nobody else wants them in their backyard. That is a very real reality that seems to be emerging, and we would not want to see that happening in Canada.

Ontario Hydro, however, does not figure the real costs of nuclear waste disposal into its calculations. The short-term thinking is quite evident in that process. In particular, of great concern to the Moose River/James Bay Coalition is Ontario Hydro's continued fascination with what it tells us is clean energy: energy produced from mega-dams like those we already have in the Moose River basin with the Mattagami dams and the Abitibi and the Otter Rapids dams. Ontario Hydro has told us it does not know what the real impacts of those dams are, but the many stories of the people in our communities who have experienced these impacts will be told, and will convince the naïve and the purposely blind that saying hydraulic is clean energy is a blatant lie.

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Entire family hunting, trapping and fishing territories have been lost. Burial grounds have been washed away. The shores of what was once a narrow creek have become the steep walls of a canyon that, for reasons that children cannot understand, continues to be called Adams Creek. The rivers that have been used for travel by our ancestors can no longer be used by us, as the daily fluctuations from operation of these dams leave the river beds dry.

Ontario Hydro still wants to build more, telling us the Moose River system is no longer a pristine river. They want us to agree to studies to look at this possibility. Shall we agree to sacrifice what we have left because of a sick addiction? Shall aboriginal people using microscopic amounts of Ontario's power be told, once again, that for the sake of meeting what are called the electricity needs of the people of Ontario, and in exchange for a scattering of jobs to cement our destruction in the walls of these dams, we should cater to this addiction?

Ontario's electricity addiction is not just an energy or economic issue; it is an issue of social justice, and an immensely important environmental issue. Wasting power on a mega-scale means our environment gets damaged on a mega-scale, and the aboriginal people who depend on the natural environment for their cultural and economic livelihood suffer the most damage.

Breaking the addiction, fortunately for all of us, need not be difficult. Hundreds of already proven, cost-effective technologies are available to cut power consumption significantly in the home, farm, office and manufacturing plants. Compact fluorescents, Sunfrost refrigerators, super-efficient windows, insulation, power-saving office equipment, electronic timers, etc. can all add up to big power savings. On a larger scale, industrial cogeneration can decrease Ontario's power consumption levels by thousands of megawatts, and fuel substitution can bring an equivalent saving.

This brings me to Bill 118. Ontario Hydro must reverse its Live Better Electrically ethic by turning its money, technical muscle and access to all Ontarians to full use in a conservation crusade. Ontarians must learn to live better efficiently. Ontario Hydro is legally prohibited from doing so at this time because of section 56(b)(3), which prevents Hydro from encouraging its customers to get off electric space heating and on to cleaner, cheaper fuels.

This legal prohibition, together with the cheap installation costs for electric heating relative to natural gas, has led to a phenomenal increase in the number of electrically heated homes in Ontario during the last decade, despite the fact that natural gas is environmentally cleaner and much cheaper. Other fuels, such as propane and oil, are also cheaper and cleaner, but the priority should be given to renewable fuels such as solar and wood, combined with state-of-the-art insulation.

The coalition supports the broadest definition of conservation and the repeal of the legal block against fuel substitution, because Hydro can then use every available means to not only stop new inefficient load from being added to the grid, but also to replace inefficient electric space and water heating added to the system in the last 25 years. By investing in conservation and fuel substitution, Hydro will not need new Darlingsons or the dozen more dams it is proposing for the Moose River basin.

I would also suggest the act be amended so as to provide that Ontario Hydro be able to take several steps in its efforts to promote conservation.

First, Ontario Hydro should be enabled to charge hookup fees for every home which installs electric heat after January 1, 1993, to recover in advance the capital costs Hydro must incur to supply that load. The British Columbia Hydro and Power Authority has done so, charging \$1,150 per kilowatt; an average house in Ontario would be charged about \$15,000 to install electric space heat. Clearly, this would discourage electric heating installation, which is precisely the goal to be achieved.

Second, Ontario Hydro should be enabled to provide all its conservation and fuel substitution services on a loan basis. That is, Hydro should loan to all customers—residential, commercial and industrial—the full amount needed to do state-of-the-art insulation and conversion to power-efficient appliances, industrial processes, lights, office equipment, motors, building retrofits, etc. Hydro should then recover all the money loaned, with interest, from the money its customers save by becoming more efficient. In other words, customers only begin to repay the loan when they begin saving more money than the cost of the loan.

Hydro would, in effect, become a conservation bank rather than a construction company.

In conclusion, I want to reiterate that aboriginal people view Ontario's electricity addiction as a pathological sickness for which we bear, as aboriginal people, much of the environmental and social costs. Inefficiency and electric space heating are enemies of aboriginal people, destroying our environment and our culture. To prevent this destruction, we would encourage that this bill be passed and the conservation crusade begin. Thank you.

**The Chair:** Thank you, sir. Mr Wood?

**Mr Wood:** Thank you very much, Randy, for coming forward. I know you were on the list in Timmins at the end of the day and I am pleased to see that you have been able to travel down to Toronto to bring us a very interesting presentation and a number of proposals and suggestions to make Hydro more accountable to the government.

I am aware of the area you live in, the coastal region, Hudson Bay and James Bay. What type of heating do most of the homes have along the coast, Randy?

**Mr Kapashesit:** As far as the grid goes, the only communities hooked up to it are Moosonee and Moose Factory. Everybody else north of us, Attawapiskat, Kashechewan, Fort Albany, Peawanuck and more than that—I am just talking about the ones involved with the coalition—the majority of northern native communities north of the highway line, basically, are not on the grid. They are on diesel generation and usually limited to the amount of power they have. Their alternative for heat is usually wood. We are the only communities on the grid.

**Mr Huget:** Thank you for your presentation. I want to touch briefly on Elliot Lake. Opponents of this bill, and indeed critics from a variety of sources, have been very critical on the Elliot Lake issue and what we view as the corporate responsibility of Ontario Hydro when we deal with Elliot Lake. I would like your views on that. There are some who would say Hydro has no business at all being corporately responsible to Elliot Lake and consider it nothing more than a social bailout. I would like your views on Elliot Lake.

**Mr Kapashesit:** I do not know what your process is here, and I do not even know if he feels comfortable, but we happen to have Mr Keith Lewis here from the Serpent River first nation near Elliot Lake, and it might be more appropriate to ask him that question.

**The Chair:** Let him speak.

**Mr Lewis:** Thank you. We have problems with the idea that there is an attempt by Ontario Hydro and the province to bail out Elliot Lake because of the enormous environmental and social costs it is going to place on aboriginal people in the area.

I should mention that my job is director of environmental programs at the North Shore tribal council, and I am also from the Serpent River first nation.

What we see is that the area of the north shore has become a sacrifice zone for pollutants and environmental destruction of every kind, and in our case of the aboriginal people, social destruction. In the planning that goes into attempting to save Elliot Lake and the people there and

their jobs, we would like to participate as much as we could to have our interests accommodated as much as possible.

In the past, the practice has been to exclude us almost entirely from any processes that have taken place, and we feel a situation like that must be rectified. It is not a situation common only to the Elliot Lake area in terms of incorporating in consultation with native people; it is Canada-wide, I would say. We agree the people in Elliot Lake must be helped, but it should be sensible help. We do not believe in aid and assistance to these people at the cost of the environment, at a social cost for aboriginal people. We have said it looks like progress at any cost or a bailout at any cost, and we do not agree with that concept at all.

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**Mr McGuinty:** Your description of the environmental degradation that followed effects from hydraulic plants was very graphic and compelling. I want to see if I can get you to take that a step further. Hydro still has long-term plans, of course, for meeting future demand. If you had your druthers, would you prefer nuclear over hydraulic? I am assuming, of course, that we have made every reasonable effort to conserve every megawatt we can.

**Mr Kapashesit:** Personally speaking, and from the perspective of the coalition, because of where we live and our particular lifestyle, we have been and continue to be very much aware of the impacts on our environment. For far too long we have been hearing that hydraulic energy and the building of dams is in fact a clean source of energy. I want to answer your question but I want to inform you of some of the realities that either are not acknowledged or are only just becoming accepted as reality in terms of hydraulic.

We can look on the west coast of James Bay and Hudson Bay and into northern Manitoba and see examples of the results of hydraulic developments there. We can see on the east coast of James Bay in northern Quebec examples of hydraulic developments there. Also, we do not need to limit our look to just within Canada; we can look elsewhere and see what the results have been of hydro projects.

Aside from the things I have mentioned, some of the more important factors I did not mention which I think are emerging more and more as time goes on are the level of mercury and the acceleration of mercury in the ecosystem as a result of building a dam and reservoir and storing water behind it. Mercury is naturally in the environment. Then, for some reason, once it is captured within a reservoir, it seems to accelerate its presence and proceeds to flow through our river system to the point where you have my own relatives on the east coast of James Bay, members of my own extended family, getting tested three or four times a year for mercury because they eat the fish. They have always eaten the fish. They have been told that perhaps they should not eat any more fish because they have passed the acceptable levels of consumption. In the Moose River basin alone, for example, with the projects that have been built, the documentation Ontario Hydro produces internally acknowledges that the amount of mercury in certain species of fish exceeds the acceptable limits, and these fish are consumed by our own people.

It comes down to the lifestyle for us; it is not a question of choosing energy sources. That may be, in fact, a question we will have to answer at some point, but in terms of being a society or a culture of people, we would like to continue. We would like to be able to continue that way of life and we see all of these options—I mean, you narrow it down to the choice of either nuclear or hydraulic. Where we live, hydraulic seems to be what people would prefer and they see the north as providing that kind of alternative. As Cree people we disagree with hydraulic, and that is the extent of our concern because that is what seems to be valued in our area. We feel it is our role to speak out against hydraulic because for far too long there has been the myth that hydraulic is clean.

**Mr McGuinty:** I appreciate your comments. I think it is important for people to recognize that there is no easy solution to meeting future demand and that every supply option has inherent difficulties.

**Mr Kapashesit:** I would agree with you that conservation measures have to be pursued vigorously and to the fullest extent possible. Then perhaps we could have this kind of serious debate as to what the choices really are, but I do not think we are there as a society and I would not want to be dealing with that question without knowing what has been done to achieve that maximum conservation priority.

**Mr Jordan:** Thank you both for your interest in coming here and making your presentation. Yesterday, I believe it was, we had a presentation that referred to a river-run project versus the four-bay storage. If Hydro were to go that route, would you consider it?

**Mr Kapashesit:** We have stated officially as our position that the least impacting technologies, the least damaging to the environment, and processes and projects that can come up with those kinds of options and alternatives are what we would favour. Certainly run-of-the-river is one of the more important ones.

**Mr Jordan:** What has the reply been back to you on that type of project?

**Mr Kapashesit:** That is usually left up to the non-utility generators, that particular option, from what we have seen, at least. You should know that 70% of the non-utility generation that is being identified as being attainable in the province lies within the Moose River basin.

**Mr Jordan:** Did you say 70%?

**Mr Kapashesit:** At we have seen so far, it is going to be that sector that pursues those kinds of projects, as opposed to Ontario Hydro. Ontario Hydro seems to be cemented into thinking it has to build dams with reservoirs, unless it comes up with another proposal that I have not seen. I have not seen it yet.

**Mr Jordan:** Would you care to comment on the James Bay project as an engineering design, as developed by Hydro-Québec, the way that was done in bringing the three rivers into a basin?

**Mr Kapashesit:** I am not an engineer, and I can only speak from my own perspective and from my own experiences. Many people probably do not even know that the

reservoirs and the dams they built have moved 18 inches from the day they opened up.

**Mr Jordan:** The dam?

**Mr Kapashesit:** Yes, at the base. It has already been moving. I do not know if any of you have ever seen those particular reservoirs and the size of them; they are immense. I mean, you cannot even see the other end. It is just like being out on the ocean.

I do not personally take any gratification in an engineering achievement. In fact, I see it as a reflection of the imbalance in this world, and the sacrifice Cree people have to endure in this case because Hydro-Québec would like to sell this power to the United States. I do not have very much to say that would be considered positive about Hydro-Québec and its projects. We have intervened in their processes as well.

**Mr Jordan:** Not even the accommodation they tried to provide for the people?

**Mr Kapashesit:** I would fundamentally disagree that they tried to accommodate anybody. The fact of the matter is that the court, the law of the land, initially ruled that there was an interest in that land. The decision that is referred to as the Malouf decision confirmed that the Cree in the area and the Inuit in the area had aboriginal rights unextinguished and that their interests had to be protected and the project should stop. So Hydro-Québec and the government of Quebec intervened and appealed to a higher court and got it overturned within 10 days, something called a balance of convenience. If that reality was around today, that would not be the case, because we have a totally different legal and political reality to be operating in. But to me, the James Bay northern Quebec agreement, which I presume you are referring to, while it had positive features, did not necessarily deal on an even playing field. People had a gun held to their head, if you ask the people who were negotiating. Developments were going on anyway, and Hydro and the Quebec government could do whatever the heck they wanted.

**Mr Jordan:** I am glad to hear you are positive to the river-run type of project anyway.

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**Mr Kapashesit:** We have made it clear in the work we are trying to address that it is a mindset that seems to be out there that apparently because there are dams already in the Moose River we should consider sacrificing it, when that river is struggling for survival and is still very much alive and is being used by the people in the area. We feel there is a question that needs to be asked there as to whether in fact river systems should be enduring such development. Maybe there are maximum amounts of energy and destruction that can be brought on to a river system, as opposed to thinking, "It's already got dams on it; let's just waste the whole thing and do whatever the hell we want with it, without concern for the environment or the people who live there." We live there. A lot of our economy is based on that river. Our slogan as the Moose River/James Bay Coalition is The River is Our Life, and there could be nothing more apt than that.

**Mr Arnott:** Thank you very much for coming down to present to us today. I am just wondering, will there be opportunities for your people to economically benefit from non-utility generation? Who is going to come in and build the run-of-the-river programs?

**Mr Kapashesit:** Obviously the private sector is anticipating that this whole area will open up, and it already has to a certain extent. In terms of who will benefit, the proponent obviously will be the first to benefit, but there is, to my understanding, no policy that would encourage each individual proponent to consider getting native communities involved or that says how they could in fact benefit or what types of technologies to bring so there is no lasting impact on the lifestyle or support that lifestyle in some way. Those kinds of questions I think have to be entertained.

It should not be left just to the non-utility generating sector; it should also be a question Ontario Hydro considers. How do their projects and how do their planning processes impact on aboriginal people? I think that question has been ignored for far too long. In the Moose River basin alone, Ontario Hydro has no documentation whatsoever as to the impact of those projects, and they have been in place from the early 1900s, with Spruce Falls at least. There is just no accounting from Ontario Hydro with regard to its projects and how they impact at this point in the Moose River basin.

**Mr Arnott:** I would just like to say it was a very compelling and informative presentation for me.

**The Chair:** Gentlemen, on behalf of the committee I say a sincere thank you. You have provided us with a somewhat unique insight and we appreciate it.

**Mr Kapashesit:** I just wanted to—

**The Chair:** Just give me 30 seconds. I do not get to talk a whole lot around here, and I miss it. We really appreciate your participation. We trust you will keep in touch and we look forward to that. Go ahead.

**Mr Kapashesit:** I overheard a question Mr Huget asked the presenter before me regarding housing, and I do not know exactly what your question was, but something with regard to the building code and things like that.

**Mr Huget:** Yes.

**Mr Kapashesit:** I want to inform the members here that in the community of Peawanuck, for example, and also in the housing we do in Moose Factory with the Moccreebec first nation, in the houses we have built we have tried to be as energy-efficient as possible, notwithstanding the restrictions that are in place once you are involved in a government program, in a social housing program. I think it is important to know that in a place like Peawanuck, on the shores of Hudson Bay, they have housing they have designed and built on their own. They have nine-inch walls, they have airtight housing. You can walk around in that house in the middle of winter and you will not feel cold.

My point is that native communities, if given the opportunity to empower themselves in providing the resources as

opposed to restrictions of budget and costs for building housing, could in fact demonstrate to others how to live in northern climates. It is happening and it can happen on an even greater scale. There has to be some sense of trust in partnership, because most of these communities, you should know, are fly-in communities, and the costs for building a house in these communities are great because most of the material has been imported. The annual allocation per unit is not great and you have to build your transportation costs into that. If people can do it in Peawanuck on the shores of Hudson Bay, I do not see why they cannot do it anywhere else. I just thought I would make a comment about that.

**The Chair:** Does anybody want to respond to that particular issue briefly?

**Mr Jordan:** I just have a brief comment for Mr Kapashesit, and it is relative to the fourth paragraph on the last page where it says Ontario Hydro should be enabled to charge hookup fees for every home. There has been evidence given before the committee that Ontario Hydro's cost is \$50,000 for I think it was a 15-kilowatt bulb. I have information that was an error in print and it should have been \$40,000, not \$50,000. I think for the benefit of the committee and the information available, that should be documented.

**The Chair:** That is in response to the oft-quoted comments by Franklin, the chair as he was then.

**Mr Jordan:** Yes. It was just a misprint in that correspondence.

**The Chair:** That may still be a matter of contention. Obviously I am taking your word for it because I trust you and I respect you and I like you.

**Mr Jordan:** Thank you very much.

**The Chair:** But there may well be somebody coming up along the line to contradict you. Mr Huget.

**Mr Huget:** I would like to comment on the housing issue you raised. You raise some compelling arguments in your brief to the committee about what we may not have been doing in terms of wisely using a very important resource and the whole issue of efficiency and conservation, and it is my profound hope that we as a society get much more aware of what will happen without a very sincere conservation effort. It is also my profound hope that through education and efficiency in conservation we can avoid building large projects of any kind, not necessarily just nuclear but every other kind. I just hope we are able to accomplish that. Certainly that is my view, and I think we are attempting to start that process with this bill.

**The Chair:** Chief?

**Mr Kapashesit:** Thank you all for the opportunity. I am sorry I could not make it to Timmins, but I was chasing you all over the province and chasing everybody else.

**The Chair:** Once again, thank you. Have a safe trip back home.

The committee recessed at 1217.

## AFTERNOON SITTING

The committee resumed at 1331.

## CANADIAN OIL HEAT ASSOCIATION

**The Chair:** People are here expecting to be able to make their submission at the time scheduled for them. The first participant is the Canadian Oil Heat Association. I am pleased that Mr Johnson and Mr Huget are here. We are going to begin because it is 1:31 pm and these people were scheduled to begin at 1:30. Go ahead, gentlemen. You have 20 minutes. Please save at least the last 10 minutes for questions and dialogue.

**Mr Butt:** My name is John Butt and I am the executive director of the Canadian Oil Heat Association. I have with me today Sid Finklestein, who is a consultant and a mechanical engineer. He has about six years experience in the oil business and is also very familiar with the manufacturing sector of the oil heat business in Ontario. I am going to turn things over to Sid to make the formal presentation on behalf of the association.

**Mr Finklestein:** Thank you to the committee. Just so you know why I am speaking, John is certainly perfectly capable of giving it, but because he is a Newfoundlander, we thought there might be some problems understanding his English, so he has asked me to speak.

You probably already know from previous meetings that the Canadian Oil Heat Association is an eight-year-old association of oil dealers, technicians, suppliers, equipment manufacturers and related government agencies. As of December 1991, there were in excess of 135 members across Canada, and more than 104 members in Ontario and growing very rapidly thanks to John. The majority of Ontario members are small independent operators with 18 employees, primarily selling oil. The manufacturing side consists of members, with a few exceptions, that are small Ontario-based companies.

It is evident that COHA represents a significant and vital part of the Ontario economy at a time the individual members, because of their size and scope, are most vulnerable to today's economic situation and government policies. That is why we feel it is important that we address the ramifications of Bill 118. Specifically we intend to address a very limited aspect of Bill 118. Although as a group we discussed other aspects of it, we have only made decisions or suggested proposals pertinent to the area of incentives.

The Canadian Oil Heat Association fully appreciates and supports Ontario's energy conservation initiatives and the Ministry of Energy's new energy directions. This includes support for a moratorium on new nuclear power facilities and the direction to Ontario Hydro to increase its conservation efforts, to be funded in part, as we understand, by diverting the \$240 million it had planned to spend on future nuclear studies.

COHA is very specifically in favour of and strongly supports aspects of Bill 118, An Act to amend the Power Corporation Act, that deal with fuel substitution. As I say, that is what we will talk about. Specifically, the association is in support of section 5, which eliminates subsection

56b(3) of the Power Corporation Act. This allows Hydro to provide incentives or assistance in conversion of space-heating systems to a system other than one based in whole or in part on the use of electrical energy. COHA feels it is in the best interests of all Ontario residents that conservation and conversion be made accessible to all, and specifically to homes currently heated by electricity.

The Canadian Oil Heat Association does not see any conflict if incentives are available and are subsidized by electricity users. First, the biggest residential electricity users are the ones most likely to benefit directly, and second, all of Ontario and all electricity users are the ones who will gain indirectly through environmental benefits and ultimately tax benefits. I will go into some of that more specifically in a moment.

We feel very strongly that market forces alone are insufficient to encourage fuel substitution in today's economic realities. The Canadian Oil Heat Association definitely believes in energy efficiency and conservation as the first priority and supports the Ontario government's desire to be the leading jurisdiction in North America in conservation and energy efficiency. We also believe in the fact that barriers to an efficiently functioning market exist. Where intense interests of consumers or society as a whole are not best served by the market, we feel the government should use other tools at its disposal, including regulations and incentives. We feel mobilizing public action and influencing public attitudes, such as preferences and purchase decisions for appliances, are a vital part of that requirement.

There is some very pertinent information in support of our beliefs. I will run through a few of them right now. There was a report recently by the National Energy Board entitled Canadian Energy Supply and Demand 1990-2010, which predicted that from 2000 to 2010 natural gas demand would moderate because gas prices would exceed oil prices. This would lead to the substitution of oil for gas. This prediction is based on energy-demand growth of 1.2% annually on average, with oil supply exceeding demand, keeping oil prices at US\$27 a barrel. In fact, as of December the price was US\$19 a barrel and right now is closer to US\$18 a barrel. The board also predicted that by 2010, 37% of Canada's energy would be supplied by oil, 25% by gas and 22% by electricity. This is a very significant shift from what existed in 1990, where the numbers were 14% oil, 46% gas and 40% electricity.

Further support was given by Marion Stewart, a vice-president of National Economic Research Associates in the United States, who predicted that oil prices would drop to \$16 a barrel by June of this year. In fact we are, as I say, very close to that. This was a prediction based on the fact that the influx of Kuwaiti and Iraqi crude would start. The NERA study says that the outlook for natural gas is good until supply gets tight in 1993 and then, NERA says, well-head prices in the United States would go from \$1.35 per 1,000 cubic feet currently to about \$2.25 per 1,000 cubic feet by 1995. This will have a very significant impact, we feel, on Ontario residents and our choice of fuels.

We feel there is a lot for Ontario to gain by a program of incentives. Currently there are over 800,000 homes in Ontario heated by electricity and 1.5 million have electric hot water tanks. Over 160,000 of these electrically heated homes are ducted, which makes them very easily converted to other fuels.

Ontario is currently building approximately 54,000—at least that is what it did last year—new homes a year, although it forecasts a few more next year. About 12,000 are in places not serviced by gas. In addition, 100,000 of the 564,000 existing homes serviced by oil could be equipped with higher-efficiency oil furnaces to meet the government's new energy directions. Approximately 380,000 electric hot water tanks are in homes already serviced by oil.

This represents a significant potential saving of electricity and fuel to Ontario. Why incentives? Why not market research? We looked at this very closely. There was a study done in October 1991 by Goldfarb Consultants. This report, entitled *Natural Gas Perspectives Tracking Study—Wave VI*, was prepared for the Canadian Gas Association. The overall objective was to examine current attitudes towards natural gas as a source of heating energy in Canada and to investigate attitudes towards the environment.

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What they discovered through approximately 1,000 phone calls to residents across the country was that 96% of the respondents were very or somewhat concerned about the environment. That was a very crucial issue, which I think this government is well aware of. Of the three major sources of heating energy, 15% believed electricity was best. Eight per cent said oil and 17% said electricity was likely to be the least expensive in 10 years. Three per cent picked oil and 34% picked electricity as being the one most available in supply in the next 10 years. Oil heating was chosen by only 1% as using the most modern equipment and only 2% saw oil as the least damaging to the environment. Finally, 74% believed that greater use of natural gas would alleviate the greenhouse effect. In fact, these perceptions are in many cases very far from reality.

This is why we feel incentives are crucial to get people to use oil and the products that will best serve Ontario. Without the incentives, the truth will not come out and the actual benefit to Ontario will not happen. The real truth is that oil-fired space-heating and water-heating equipment have led the way in technology advances and increased efficiencies for over 20 years. The flame-retention oil burner was introduced to the market in 1970. It increased burner combustion efficiency from 60% to 98% on conventional furnaces, taking steady-state operating efficiency to 85% and 88%. Condensing flue-gas oil furnaces are available today with seasonal efficiencies in excess of 95%. Actually, oil led the way in technology advances. The majority of gas furnaces installed in Ontario are operating at less than 70% seasonal efficiency.

Oil is less expensive than any of the other fuels. This was proven by the Ministry of Energy in documentation and deep research they did recently for a consumer guide. They found that electric furnaces or baseboard electric cost between \$1,000 and \$1,500 at installation. New oil fur-

naces are \$1,200 to \$1,800 and old oil furnaces can be upgraded with a burner of 80% AFUE, or annual fuel utilization efficiency, for only \$400 to \$800, a very significant difference.

A typical economy of installation and operation presented by one of our members suggested an installed cost for an oil furnace, picking not the midpoint but quite high, close to the top of the range, of \$1,797, and for a mid-efficiency gas of \$2,150 and a high-efficiency gas furnace of \$3,800. Using the financing arrangements that are typically available in the marketplace, the capital outlay and the life expectancy of the products—we have some documentation to leave with you—an oil furnace will last 30 years. A gas furnace, we feel from our research, will last about 20 years. The installed cost would be \$60 per year with oil, \$178 per year with the mid-efficiency gas furnace and \$315 per year with the high-efficiency product. The mid-efficiency gas furnace, by the way, includes the cost of a chimney liner.

An actual study done by one of our members on a home that he sells oil to—this is Grant Chisholm from Chisholm Fuels, who happens to be our chairman—over the 1990-91 heating season demonstrated the advantage of oil over electricity. On an R-2000 equivalent home of approximately 1,800 square feet, heated by baseboard electric, Grant installed an oil furnace rated at 87.1% efficiency using a side-wall vent. He measured exact quantities of oil and hydro used over specific degree-day periods and from that was able to determine the K factor for each fuel.

The results were as follows: They both, of course, had the same degree-days, which was 7,463 for oil, as it was for electricity. The K factor for oil was 8.78 and for electricity 0.696. What that really turns out to mean is that the quantity of fuel used in oil was 854 litres and for electricity 10,722 watts. Based on a cost of oil of 35.2 cents per litre, which has since come down, and based on a cost of electricity at seven cents per kilowatt-hour, which fluctuates and varies from location to location, oil was \$300.60 and electricity was \$750.54. So there was a savings of just about \$450 using oil.

A 30-gallon oil-fired hot water tank delivers about 100 gallons of hot water per hour. It is equivalent to a continuous hot water supply. A 30-gallon gas-fired hot water tank can only deliver 30 gallons of hot water per hour, and it takes a 66-gallon electric hot water tank to supply 45 gallons of hot water per hour.

There are currently about 1.5 million electric hot water heaters in Ontario. Replacing these with oil hot water heaters will eliminate the need for, and the expense of, special gas or propane meters. You will obviously also save significantly in the amount of electricity in the province.

Oil-fired hot water tanks make economic sense. A typical family of four in Ontario requires about 65 gallons of hot water per day or 2,015 gallons per month. A gallon of heating oil will produce about 120 gallons of hot water, based on an efficiency of 75%. Therefore, it takes 16.8 gallons of oil costing \$22 per month, or \$264 per year, to feed that family hot water. The equivalent for electricity is

\$666 per year. There is a considerable savings to the consumer, and obviously from the point of view of energy.

Another misconception that makes incentive so important is the idea of environmental aspects. In fact, the truth is that both oil and gas will have the same amount of impact airwise on the environment for the same amount of efficiency, because the carbon dioxide would be the same no matter what the fuel, depending on the efficiency of the furnace. The more efficient the furnace is, the less CO<sub>2</sub> would get into the environment.

The bad name that oil has, comes, it seems, from the liquid aspects of it. People have the impression that oil is an environmental polluter and this is based a lot on crude oil spills and so on that get a lot of publicity and attention. The truth is very different. Extensive studies done by Hart and Environ show that in reality the effects of fuel oil contamination are negligible and not at all harmful. These studies have shown that the greatest number of fuel oil tanks in service are less than 600 gallons in capacity, and most are above ground so any spill would be very quickly noticed.

The fuel oil tanks underground use suction fuel delivery systems that present significantly lower risk to the environment than do pressurized fuel oil systems, such as those used at gasoline service stations. If a leak occurs in a suction fuel delivery system, the pump will lose suction and stop operating, thus acting as a leak detection system.

The frequency of release from all underground storage tanks containing heating oil is well below 1%. That is a very significantly low number.

Certain chemicals present in gasoline that are of significant public health concern, like benzene and n-hexane, are not found in fuel oil.

Fuel oil, as a free product, will permeate downward to the water table through the unsaturated zone at a rate four to five times slower than gasoline. Fuel oil will migrate along the water table, once reached, at a rate four to five times slower than gasoline, and fuel oil, as a bulk material, dissolves into groundwater at a rate approximately 10 times slower than gasoline. Because of its ability to be seen and felt, and its low migration rate, it is very significantly safe to the environment, compared to other products such as gasoline.

Fuel oil has none of the carcinogens found in gasoline. Therefore, as a liquid pollutant, fuel oil has unjustifiably received a bad name. Because the public does not know this, unless we offer incentives, it will not have the opportunity to try fuel oil.

The amount of carbon dioxide produced in fossil fuels, as I said, is dependent on the amount of fuel efficiency of the product. Other aspects of fuel oil that people are not aware of is the security of supply and the safety of the product.

The most important thing we think the incentive program will do is from a social aspect. The members of COHA, as well as non-member fuel oil supply companies, are for the most part small independent businesses. Even the major oil companies, which may be national in scope, utilize independent agents and operate in a localized manner. We feel these are vital businesses to Ontario's growth.

An incentive program is crucial to their growth and to their actual existence, and that is vital to growth of the economy.

We also feel that the use of oil in place of other fuels will allow electricity to keep its base load, because the oil companies do not supply fridges and stoves, so it is strictly the heat appliance for the hot water and the furnace to maintain that.

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We make a number of recommendations and feel that both regulations and incentives will produce the effect we want:

1. Incentives directed towards the marketing, advertising, training and implementation of off-electricity fuel conversion.

2. An incentive for Ontario-based research and development to produce state-of-the-art equipment to continue our growth in spite of the free trade penalties that many have taken.

3. An incentive of \$2,000 to be paid directly to the consumer to cover the cost of ductwork to convert from baseboard electric heating.

4. An incentive of \$500 to be paid directly to the installer of ductwork.

5. An incentive of \$500 to be directed to the consumer for off-electricity heating conversion.

6. An incentive of \$1,500 to be paid directly to the consumer for installation of an oil-fired hot water tank in place of an electric one in a home serviced by oil.

**The Chair:** Gentlemen, thank you. You should know that we have had previous discussions with people from your industry, including your Ottawa colleagues, representing the Canadian Oil Heat Association. We appreciate the interest you have shown and your contribution today to this process. I trust you will keep in touch.

**Mr Conway:** Is there no time for questions?

**The Chair:** There is no time for any questions. Talk to your House leader.

#### CANADIAN UNION OF PUBLIC EMPLOYEES, LOCAL 1000

**The Chair:** The next participant is the Ontario Hydro employees' union, Local 1000. Please tell us who you are. We have 20 minutes. If you want to leave time for questions, please try to restrict your initial comments to the first 10 minutes.

**Mr MacDonald:** My name is Jack MacDonald. I am the president of Local 1000, Canadian Union of Public Employees, which represents the 20,000 Hydro workers in Ontario. With me is Bob Menard, our education and publicity officer.

CUPE 1000 welcomes the opportunity to comment on Bill 118, particularly during a time when considerable attention is being directed at Ontario Hydro and its future. As well as being employees of the corporation, the 20,000 members we represent are ratepayers who are extremely concerned that the right choices are made for the future of electrical generation in this province.

**Consultation:** Unfortunately, this process does little to assure our members that proper consideration has been

given to the impact of critical issues addressed in the legislative amendments before this committee. Although CUPE 1000 notified government representatives shortly after the 1990 election that we had an interest and an expertise in all issues pertaining to Hydro's operations, CUPE 1000, along with other labour groups, were simply notified of the proposed amendments after all the decisions were made.

Consultation means involvement in decision-making before the agenda is set. It is clear that, by definition, consultation did not take place with Local 1000 concerning the amendments to the Power Corporation Act. For the record, it makes no difference if other parties are equally ignored. Different behaviour was expected from this government and in this instance it was not forthcoming. CUPE 1000 believes that full and meaningful consultation should take place prior to introduction of legislation and those parties directly affected should be given ample opportunity to participate.

Board of Directors: In 1989 CUPE 1000 submitted a brief to the standing committee addressing amendments contained in Bill 204. Several issues raised then still have not been adequately addressed. Of particular interest then was the composition of the Hydro board of directors. CUPE 1000 still wants a representative on Hydro's board to ensure that the important concerns of the 20,000 members we represent are heard.

As we said before, unions regularly take positions on energy and environment issues. There is still reason to believe that these and other important initiatives do not get full consideration.

We also raised the issue of the Hydro board's conflict of interest over our pension plan. We still contend that an important trust has been violated when, acting as pension plan trustees, the board allowed contribution holidays. As you know, this case has been finalized in the courts as far as the money value of Hydro's contribution holidays is concerned, which amounts to \$609 million. We have now been reimbursed for that. But the remaining issue of the board of directors and its action is still in the courts. These concerns remain in 1992 and will continue to remain until CUPE 1000 has a representative of our choice on the Hydro board.

Government Control: The recent amendments raise concerns about the relationship between the Hydro board and the government. From our perspective, increasing government involvement in Hydro's operations is questionable in terms of the impacts this relationship can have on Hydro's operations, and by association, the members we represent.

A case in point is the amendments that direct Hydro to actively pursue fuel substitution as an alternative to electrical use. Increasing the province's dependence on an out-of-province energy source makes little sense, particularly when the energy source is controlled by the private sector.

It is important to note that the very controls being used to direct Hydro's future do not exist, and will likely never exist, to control the action of private industry when the real or contrived demand for the commodity exceeds supply.

The amendments as proposed will direct Hydro to promote an alternative energy source with no immediate fi-

nancial gain to the corporation. Successful implementation of the government directive means that the energy dollars spent will go to someone else. This means that Hydro is now mandated to compound existing financial hardship by doing the competition's job for them. While the construction of additional generation capabilities may be avoided, the benefits of constructing and operating new generation are also lost. These include jobs for construction workers, suppliers and operating staff and the knowledge that the public still has ownership over a significant energy source for the future.

Implementing these amendments will ensure two things: Hydro's performance will suffer and even more energy will be privatized and moved out of the control of the electorate.

CUPE 1000 has other concerns about government policy that can now be dictated to the corporation. Hydro's recent revision of the demand-supply plan indicates strong political support for non-utility generation to the extent that a significant amount of power is expected to be delivered by this form of privatization over the next 25 years.

CUPE 1000 totally opposes this decision and we oppose any government that uses its legislative ability to direct the corporation to give the production of electricity to private industry. To make a comparison, there is strong support for the continuation of public health care in this province, with good reason, as it is a vital service that ensures a level of health that Ontarians expect and deserve. The public control and continued availability of electrical generation in Ontario is arguably as vital to the province's financial and economic health.

Making the right choices: While critical of several policies currently being promoted by the government, CUPE 1000 understands that Hydro's status as a crown corporation necessitates government involvement. The right kind of political direction can make Ontario Hydro an important tool in the economic resurgence required to get this province's economy back on its feet.

From our perspective, that means maintaining public control over the entire system. It also means redirecting the corporation's activities to ensure that any new generation is "made in Ontario." Arrangements like purchasing power from Manitoba must be seen as counterproductive to the long-term goal of creating employment, stimulating the economy and ensuring energy independence.

Conclusion: The proposed amendments to the Power Corporation Act indicate that the government wants to use Ontario Hydro to carry out its agenda for energy in Ontario. However, actions such as the lack of consultation with major stakeholders, the reluctance to give CUPE 1000 direct representation on Hydro's board, and the commitment to privatize both energy source and electrical generation raises serious concerns about the appropriateness of that agenda for CUPE 1000 members and the ratepayers of Ontario.

There are alternatives and CUPE 1000 wants to reaffirm our desire to be actively involved through meaningful consultation and active participation on Hydro's board of directors. Due to our unique perspective and relationship with Hydro, we feel we have much to offer in maximizing the

corporation's potential as a critical part of Ontario's economic restructuring.

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**Mr Jordan:** Thank you, gentlemen, for your presentation on behalf of the 20,000 employees you represent. Just a quick question: Why do you think we need Bill 118?

**Mr MacDonald:** With the present contents of the bill going forward unchanged, I do not think we need it at all.

**Mr Jordan:** As a representative of a good majority of the employees, you feel there is sufficient room in the present Power Corporation Act for government direction.

**Mr MacDonald:** I think there are some important key issues addressed in the proposed legislation. I just do not believe in its present form it will do us any good.

**Mr Jordan:** You came through strongly in support of having Ontario independent as an energy source for electricity and in developing what we have in the province. Would you like to enlarge on that?

**Mr MacDonald:** I think Ontario Hydro has always acted perhaps with somewhat too much independence, but I now see in the legislation that they are calling for fuel switching and so on and I do not believe that is the job or the role of Ontario Hydro.

**Mr Jordan:** If there is going to be any subsidization, you are saying it should come out of the general fund is what you are saying.

**Mr MacDonald:** As an example, there are changes in the bill to allow Hydro to charge back to the ratepayers of Ontario the cost of the energy conservation program, the fuel switching and so on. They are going to have the gas industry, as an example, benefit from this position taken by Hydro when for a number of years it has been in direct competition with the gas company. It seems to me the gas company is being subsidized now by this change.

**Mr Jordan:** It seems what has happened as a result of the introduction of this bill is that we have created a very definite uncertainty of supply and cost to the industrial sector of the province. We see that as very negative. Industries are closing; they certainly are not expanding.

**Mr MacDonald:** I believe there should be a solid supply of electrical energy available in the future to enhance our opportunities for bringing in new industry to this province. I believe the direction should go to Ontario Hydro to build further generation.

**Mr Huget:** I want to touch on the issue of the employees' representation on Hydro's board of directors. First, I would like you to give me a little bit of history on that if you could, in terms of what the response has been traditionally to that suggestion. Second, I would like to hear from you the type of unique perspective you could bring to the board.

**Mr MacDonald:** First, in the area of pensions, the Ontario Hydro pension plan covers everybody who works for Ontario Hydro. We have the right in our collective agreement to negotiate any changes to the pension plan, so when we change the pension plan, when we negotiate at the table, it changes for everybody: the management, the

society of professional engineers and all the 10,000 people with Hydro who are outside our membership.

As you know, we took the on case in 1986 because we felt Ontario Hydro was not complying with the Power Corporation Act and submitting its proper monthly contribution. We took that to court and after about a year and a half the court ruled against Ontario Hydro. We finally took that through to the Supreme Court of Canada and the decision has stood. As a result of that, we were able to have Hydro contribute all the moneys it had avoided, going back as far as 1962. We have all that money back within the pension plan. We have negotiated a very good pension plan.

We also have another case in the courts where we are charging the board of directors of Ontario Hydro with violating its fiduciary responsibility in not complying. Once that first court case came out and said they had to contribute. We took it took to the courts in the year 1986. They still failed, until we went to court again, to pay for all the other years when they had not contributed. We believe they acted irresponsibly once they got that court direction. What we were asking for was to have the board of directors removed from the trustees of the pension plan.

As far as our sitting on the board of directors is concerned, we have had much discussion with Ontario Hydro and I think we pretty well have come to an agreement that it is a matter of timing: When would it be seen to be appropriate for us to sit on the board of directors of Ontario Hydro?

I think we have a lot to offer. I have been with Ontario Hydro for 34 years. They are expanding the board of directors. We have internal knowledge as far as the operation of the company is concerned, and knowledge of some of the other activities board members have been doing, such as the pension plan and so on. I believe it is vital to our own self-interest to be participants in those areas.

**Mr Cleary:** You were talking about being consulted. Does your union still have the same position and thoughts about the makeup of the board as those in the document I have here?

**Mr MacDonald:** I suppose that document is one we submitted a few years back.

**Mr Cleary:** Yes; it was just handed to me.

**Mr MacDonald:** Things have changed generally in the industry. Since that time, of course, the Hydro board of directors has been found to be acting irresponsibly—I should not say “irresponsibly”—to be acting in contravention of the Power Corporation Act in not contributing to the plan. That has made us focus a little more on that issue.

**Mr Cleary:** When? I am sorry.

**Mr MacDonald:** Since the court action has come out making Hydro squarely responsible for the pension contribution holidays it had taken since 1962.

**Mr Cleary:** Have you also consulted your union on any programs Hydro might have, for instance, the lightbulbs that were delivered to every household in Ontario? Does your organization get involved in any of that?

**Mr MacDonald:** Our role primarily is to represent the members of our union and not to get into that. I also see a change to the Power Corporation Act that allows Hydro to charge off such ventures to the ratepayers of Ontario. It is questionable whether or not that is good value. When I get three lightbulbs delivered to my mailbox and then pay for that in subsequent months, I question the value. I understand what they are trying to do, but I question the value of that type of approach.

**Mr Cleary:** I think most of us got only two lightbulbs. Am I correct?

**The Chair:** I did not get any. Join CUPE, Mr Cleary.

Are there any other very brief comments or questions from any of the members of the committee? Brother MacDonald and brother Menard, I want to thank you very much for taking the time to come here this afternoon, not only in your own right but on behalf of the membership of CUPE 1000. You have added yet another perspective to what, as you can well imagine, has been a very diverse range of views and opinions about this whole issue. Yours is a valuable contribution. We thank you. Please convey that thanks to your membership.

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#### CANADIAN UNION OF PUBLIC EMPLOYEES—ONTARIO DIVISION

**The Chair:** The next participant is the Canadian Union of Public Employees—Ontario Division. Gentlemen, please come forward, be seated and tell us who you are. We remind you of our welcome to stay for the balance of the afternoon. Of course transcripts, not only of your own participation but of the whole series of proceedings, are available to you through the clerk's office or through your own MPP's office free of charge. Gentlemen, tell us who you are and start telling us what you will. We have 20 minutes. Please try to save at least 10 minutes for questions and conversation.

**Mr Stokes:** My name is Michael Stokes. I am president of the Canadian Union of Public Employees in Ontario. With me today is Brian Blakeley. He is our legislative assistant.

The Canadian Union of Public Employees—Ontario Division is pleased to have this opportunity to present our comments on Bill 118, An Act to amend the Power Corporation Act.

CUPE Ontario represents over 165,000 members in Ontario. Among our membership we are quite proud to have the members of CUPE Local 1000, which represents 20,000 members and from whom you have just heard. CUPE Ontario also represents a number of locals and electrical utilities throughout the province.

CUPE Ontario wishes to refer the members of the standing committee on resources development to the submission of CUPE Local 1000. CUPE Local 1000 has a long and established history of being a strong advocate of the need for a publicly owned and operated corporation for the production and distribution of electrical power in Ontario. As employees and critics of Ontario Hydro, Local 1000 is in a unique position to offer valuable commentary and direction to this committee on Bill 118.

In our estimation, Bill 118 alters the fundamental purpose and operations of Ontario Hydro in a number of ways that cause concern to CUPE Ontario.

On the question of the board of directors, CUPE Ontario calls for the amendment of Bill 118 to require that CUPE Local 1000 have a seat on the Ontario Hydro board of directors. No further justification for this position is required, other than to mention the legal battles that CUPE Local 1000 has just explained to you, battles it has been forced to undertake as a result of the illegal use of pension funds by the Ontario Hydro board of directors.

On energy efficiency, while we strongly favour energy efficiency and informing the general public about the most efficient sources of energy for their homes, we are also concerned about the quality and security of employment for our membership. Bill 118, in our opinion, threatens CUPE members at Ontario Hydro by forcing employees to recommend to the public that they convert from electricity to alternative power sources.

Effectively the amendments contained in Bill 118 in some circumstances will require employees to recommend that Ontario Hydro consumers switch to alternative sources of energy. These alternative sources of energy, under current economic conditions, may appear to be more energy efficient, but this advantage is largely a result of market pricing. One does not have to think too far back to remember a period of time when conversion to electrical power was energy efficient due to the OPEC-produced oil shortages in North America.

In Ontario, electricity is largely produced by Ontario Hydro and distributed to end users by local utility boards and commissions. Thus electricity is a publicly owned and operated source of energy, thereby ensuring a constant supply of essential electrical power is available to both residential and commercial power users in Ontario.

The same cannot be said about the alternative sources of energy widely available in the province. Natural gas is transported by private industries that are not publicly owned or operated. In the fall of 1991 the control of southern Ontario's principal gas company was purchased by a British company.

The amendments, as proposed, will direct Ontario Hydro to promote alternative energy sources with no immediate financial gain to itself. Successful implementation of the government directive will mean that energy dollars spent will go to other non-publicly owned energy suppliers. Effectively these amendments will mean that Ontario Hydro will be forced to spend its financial resources to promote the businesses of its competitors. Ratepayers will be required to fatten the pockets of out-of-province and offshore energy corporations.

CUPE Ontario is opposed to any measure that will weaken the public presence in the production and distribution of energy in Ontario. In our opinion Bill 118, as it currently exists, will have this result.

In conclusion, we would like this committee to adopt the changes we have proposed to Bill 118, and we look forward to further opportunities to address this issue on behalf of our membership.

**Mr Dadamo:** Thank you very much for your presentation this afternoon. Ontario Hydro is thinking of adding to the board of directors, I believe, five or six people. You mention on one of your pages that you would like to have a seat on the board. How would you propose to do this?

**Mr Stokes:** I assume it would be through the normal appointment process. We would submit the names of nominees.

**Mr Dadamo:** You were talking about pension funds. Are you in a position to expound on that if it is in the hands of lawyers or courts?

**Mr Stokes:** When I was sitting here I heard Jack explain the troubles Ontario Hydro caused for Local 1000 on the pension issue. Brian actually came from Local 1000 and might be able to expand on that issue in a better way than I can.

**Mr Blakeley:** I guess the linkage we are trying to make is that the board of directors approves the business plans of Ontario Hydro. In the past, those business plans included using pension funds to offset operating money requirements. They decided that instead of contributing to the pension plan, they would take a contribution holiday and sell it to the energy board and sell it to themselves as a saving for the ratepayers. We feel strongly that if Local 1000 had had a representative on the board of directors, that would not have happened and they would not have had to spend all the money and the province would not have been saddled with the financial burdens of this seriously misguided decision by a board of directors.

**Mr Dadamo:** Does the executive of CUPE 1000 have any idea how much money we are talking about?

**Mr Blakeley:** I believe the court cases have covered that. Perhaps Jack could be called upon to give that answer.

**Mr Dadamo:** Just out of curiosity.

**The Chair:** Does somebody want to tell us what the number is?

**Mr MacDonald:** The settlement was \$609 million.

**The Chair:** Tell you what, sir, come on up here to a microphone. In that way you are on record, for better or worse.

**Mr MacDonald:** The settlement to the court case was that we were able to establish a 75% indexed pension scheme at a cost of \$1.2 billion and we were able to make several improvements that cost \$383 million. As well, we put the remaining \$223 million into a fund to supplement the 75% guaranteed indexing to 100% as long as that money lasted.

**Mr Waters:** When we talk about government or somebody keeping control of Hydro, historically people have accused Hydro of being inefficient. Hydro being basically a service industry, I would like your comments on inefficiencies at Hydro, if you feel you are able to comment.

**Mr Stokes:** Local 1000 could probably give you a very in-depth and detailed response to that question. I suggest that perhaps if the union were involved in some of the management decisions that take place at Ontario Hydro,

much of what is seen to be wasteful spending could be eradicated.

**Mr Waters:** Do you feel there is also education needed with the public? I know working that in the wire industry, working around high voltage, you do not do those things by yourself. The public sees a line truck go out there and there are two or three people. Do you think Hydro should educate the public on why there is more than one person on a job site at any given time?

**Mr Stokes:** That should probably be part of a general educational package for the people in Ontario so that they understand everything to do with Hydro, including the environmental impact of the different generating sources, the health and safety risks faced by workers and the real costs of generating hydro power.

**Mr Blakeley:** The education element, as far as the need for rules to prevent people from having to work alone is concerned, is a very strong and important point to make. Unfortunately, having two people on a truck does not guarantee you that there will not be contact accidents.

One of the popular misconceptions about that—and it is not limited to Hydro; I think it is related to all public services—is that people drive by and see a crew of half a dozen people staring at a pole. The problem is the public does not drive by in March during an ice storm when the crew has been out for 24 hours and is putting power back on. The member of the public merely gets on the phone and calls in and says, “Why is my power off today?” He will be on the phone as quickly in the morning to call for a rate decrease. I am not sure I have heard a lot of stories about thank you letters on situations. You only need to spend some time among people who work with Local 1000 to hear horror stories about ice storms or traffic accidents. I think there was one in Owen Sound a few years back that involved the police, a stolen vehicle and several transformers. That is the sort of situation a single person on call-out would have absolutely no ability to deal with. Local 1000 has advocated changes to outlaw single-person crews in electrical situations.

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**Mr Waters:** I am only allowed a short one, so I would like to switch over to the future. The way Hydro seems to have been going, the future was a single thought and that was nuclear. I was wondering how you, as representatives of the employees, felt about alternatives, whether they be with hydro, alternative types of generation or whatever. I would not mind your opinion on alternatives to the nuclear option.

**Mr Stokes:** That is something you would have to discuss with Local 1000 members to get a detailed response. We would argue that any source of hydro generation should be kept in public control, public ownership, public operation, taking into consideration all the environmental impacts and other related issues. Local 1000 would be the specific group to talk to on that issue.

**Mr Cleary:** I would like to know your opinion of this document I have, which I mentioned a bit earlier. It says, “The CANDU reactor is a safe, reliable design which poses no undue hazard to the public when operated by

trained unionized staff." It goes on to say, "The government of Ontario should approve the construction of new reactors." I would like your comments on those statements, please.

**Mr Blakeley:** I think the document you are referring to is something we can still endorse. With the design and construction of CANDUs, using qualified union personnel, it has proven to be a successful reactor from a safety point of view in Ontario. I do not think we have had any major serious incidents that have threatened the public health and welfare of this province. The design and construction are one issue. The way governments in the past have managed the financing and development of those resources is another issue. I am not sure we would argue the Darlington project has been a model of management efficiency, but I have no qualms with those statements concerning safety in design.

**Mr Cleary:** The other thing I would like to mention is that I take from you gentlemen that you are not in favour of the setup of the proposed new board of directors for Ontario Hydro.

**Mr Blakeley:** I think our concerns primarily are focused around the need for the inclusion of an employee representative from Local 1000 on the board. I know our brief does not address any of the other issues vis-à-vis the inclusion of the deputy minister or anything like that. Our concern is for the need for an employee representative from Local 1000 on that board.

**Mr McGuinty:** Gentlemen, I just want to get your views with respect to the present moratorium we have on the development of further nuclear capacity in the province. How do you feel about that? Is it a good thing, a bad thing?

**Mr Blakeley:** The decision of the board reflects, I guess, the decision of Hydro in that area and the decision of the government reflects a number of concerns for the population of Ontario.

**Mr McGuinty:** What about your concerns, though?

**Mr Blakeley:** My personal concerns do not factor into this at all.

**Mr McGuinty:** I beg to differ, because you are here and I value your concerns; not your personal concerns, but the concerns of your membership.

**Mr Blakeley:** The concern of our membership is that Local 1000 members be involved on the board of directors. We feel that is an efficient way for them to represent their membership's concerns within the organization.

**Mr McGuinty:** With respect to the moratorium, though, has your membership taken a position on that?

**Mr Stokes:** Actually our position is the one that was adopted by the New Democratic Party at its last convention, one that received not only the support of our organization but that of the environmental movement.

**Mr McGuinty:** I have some difficulty reconciling that with—I am not sure whether I read it in here—this statement here.

**The Chair:** Believe it or not, Mr McGuinty, there are not a whole lot of NDP policy books floating around.

Somehow they have managed to disappear over the last 12 months. I have one in my office that I will send down to you.

**Mr McGuinty:** I am wondering how I reconcile that, unless you are telling me you have changed your position. On the one hand you say you are adopting the NDP position, and on the other hand this statement says the government of Ontario should approve the construction of new reactors.

**Mr Blakeley:** That is from the document we presented today?

**Mr McGuinty:** I am not sure where this is from.

**Mr Stokes:** I would be prepared to comment on the document we presented today. I did not have any participation in the development of that one. Our position would be that the development of further nuclear power be done in line with the policy that was adopted at the NDP convention which, as I say again, was done with the support of the environmental movement and is dependent upon energy needs and the impact on the environment.

**Mr Arnott:** One of my principal concerns about Bill 118 is that it changes the ultimate decision-making power at Hydro. It takes it away, as we know, from technical, sophisticated experts and puts it into the hands of a politician. In theory, if not in practice, some day we could perhaps have a Minister of Energy who has no background, no training and no qualifications with respect to energy. I am very concerned about that possibility, that eventuality and how Hydro might be run under those circumstances. How would you respond to that?

**Mr Stokes:** My understanding is that they are talking about expanding the board of directors to include politicians but that the technical expertise would still be there. We are asking that the other major component be there as well, and that is worker input. We see the development of the board of directors probably filling out in a much better way the decisions that come from the board.

**Mr Arnott:** If the minister is given the power by which he or she can issue policy directives that are binding and must be implemented efficiently and immediately, then your participation and input on the board is a little less, is it not?

**Mr Blakeley:** I was reading something yesterday discussing some amendments to clarify the position that policy directives from cabinet to the board of Hydro will be consistent with the Power Corporation Act. The other factor is that if we run a system that is publicly owned and operated and we elect people to manage that system, being the government, they have the duty to manage but also a duty to manage responsibly. I do not think the board of directors at Hydro currently, in the past or in the future is the source of detailed technical information about the power system. I believe that is the job of the engineers and staff of Ontario Hydro.

I believe the responsibility of the board in making decisions is like that of the Legislature in making decisions: to get the best information possible prior to making a decision. I am not sure any of the changes will affect that process.

**Mr Stokes:** I would also add that I do not envision any circumstance arising that would require an immediate response from the minister that would be of that magnitude. Hydro works, I believe, on a 25-year plan, so I do not think anything is going to sneak up on it, so to speak.

**Mr Jordan:** We have received several complaints regarding the operation, maintenance and administration budget of Ontario Hydro. Perhaps this should have been a question for Local 1000. Generally speaking, with Bill 118 should we really be looking at the downsizing of Ontario Hydro? Personally I see it going from a strong electrical industry to an essential electrical service, and in so doing, it is not going to be that vibrant Ontario industry we have known in the past. Would you like to comment on that?

**Mr Stokes:** I cannot comment on the first part but I can comment on the downsizing. I see that as being something very negative. You run the risk of losing control of our natural resources if it gets beyond public control and ownership.

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**Mr Jordan:** Do you see considerable layoffs coming at the utility?

**Mr Stokes:** I cannot speak to that directly. That is probably a better question for Local 1000. Do you guys want to comment on that?

**The Chair:** What is your next question, Mr Jordan?

**Mr Jordan:** Bill 118 is virtually going to give the government control to halt nuclear development, and it is going to be done under the blanket, if you will, of conservation, which everybody agrees with. I do not think there is anyone I have talked to who is not in favour of conservation or alternative fuels where they can do a more efficient job, but to be promoting them and subsidizing them at the utility's expense and at the employees' expense we find difficult. I really think there is enough power in this Power Corporation Act at the present time for input to Hydro, provided the board has the proper representation and the Ontario Energy Board has a little more teeth in it.

**Mr Stokes:** That would probably result in support of the amendments we are urging. If you are in agreement with us, thank you very much.

**Mr Blakeley:** I am not sure we can agree with your premise, but your conclusion is one that is addressed in our brief. We are concerned that the direction to the employees of the utility to advocate switching away from electrical power puts those employees in an uncomfortable position of effectively recommending that people stop utilizing the services of that employment. This is something we have concerns with. I am not sure we can agree with your premise that led to that, because I am not sure the bill specifically targets nuclear energy; I think the bill targets any form of generation that is within Ontario Hydro.

**Mr Jordan:** I understood that. I took the weight of your membership at the convention was to keep nuclear as part of the development of energy.

**Mr Blakeley:** I am not sure either of us was at the convention you are referring to, so I do not think we can comment.

**Mr Stokes:** I was at the convention. I can comment on that. That was a consensus that was reached that we both share in. I do not think it was anybody throwing his weight around; I think it was people getting together, having an intelligent conversation and reaching an intelligent decision.

**Mr Klopp:** You are basing it on your convention.

**Mr Stokes:** On the NDP convention, the one I am talking about, anyway.

**The Chair:** Brother Stokes and Brother Blakeley, the whole committee thanks you, once again, as with your colleagues' presentation from Local 1000. It is yet another perspective, one that is important, well put forth and that obviously generated some interest and dialogue among the members of the committee. We look forward to hearing from you again on this and other issues. Thank you with sincerity. Have a safe trip back to your respective homes. Take care.

#### PUBLIC SCHOOL BOARDS OF METROPOLITAN TORONTO

**The Chair:** We now have the Public School Boards of Metropolitan Toronto. Come forward, please, and be seated. Tell us who you are. You have 20 minutes and try to leave some time for dialogue.

**Dr Murray:** The chair of my board, Mrs Mae Waese, regrets that she was unable to attend today. She sends her regards to you and the committee. In her place, my colleague Mr Brown and I will make a brief presentation on behalf of all the public school boards in Metropolitan Toronto and in fact throughout the province. You will note that the last letter of our written submission is a letter to Mrs Waese from Mrs Paula Dunning, the president of the Ontario Public School Boards' Association, endorsing the position we are about to put forward. I will outline briefly the background or the context from which we are speaking and my colleague Mr Brown will explain the reasons why we are here and the nature of our proposal, which is currently before Hydro, with respect to energy savings.

You will note that we represent eight public school boards that own and operate approximately 45 million square feet of space in some 650 buildings. Replacement value of this physical plant is approximately \$4.5 billion. The budget for utilities in these facilities was \$47 million last year, which included roughly \$27 million for electricity. The school boards have been very conscious of the need for energy conservation and have developed good working relations with Hydro and the local hydro commissions. In the city of Toronto, that board alone has achieved savings from energy conservation that currently run at \$3.5 million a year.

The committee knows, of course, from its hearings in other places and from other presentations, that the success attained by the city of Toronto is not restricted to school boards or indeed in any way to the city. Certainly we have recently sent technical staff to Waterloo county to learn from its experience. The efforts of the area boards in energy conservation have been stimulated and sustained by the various Hydro programs, and we believe these programs have helped both Hydro and the boards.

Our concern is one particular proposal we have before Hydro that relates to fuel substitution, which we are unable to proceed with without one of the amendments included in the bill that is under consideration by your committee.

Now I will turn the matter over to Mr Brown, who chaired the technical committee that worked for over a year to develop this particular proposal.

**Mr Brown:** I would like to take you through the current situation. In 1991 the boards represented here today undertook to coordinate their energy conservation efforts on a Metro-wide basis. A first step was the development of a proposal to replace the electric heating, ventilating and air-conditioning systems in 32 of what we call SEF schools, or study of educational facilities schools. The significance of the SEF schools is that they are a prefabricated type of school built around 1970 and are all-electric.

This project would involve the replacement of the existing electrical heating, ventilating and air-conditioning systems with modern systems using high-efficiency gas heating and high-efficiency electric air-conditioning. The school board was prepared to contribute \$15.6 million to this \$37.7-million project. The balance was to be provided by grants from Ontario Hydro plus the reinvestment of the first five years of energy savings. I would just like to make the point that the project will not go ahead without the Ontario Hydro incentive grants.

A thorough feasibility study involving a leading energy service company was completed last October. It was planned to order the new equipment by December and to begin the first phase of the work this summer. Unfortunately the project is stalled at the moment because of Ontario Hydro's legislative mandate, which does not allow it to make grants to projects that are primarily fuel substitution.

This feasibility study indicated that the following savings would be available:

"The project is expected to reduce the overall energy use in the SEF buildings"—that is, 32 schools—"from their current average 31 kWh/sq ft to the target of 26 ekWh/sq ft. The energy use of the buildings is estimated to drop by some 16% and realize approximately 10.5 megawatts of electrical winter peak demand reduction."

In overall terms, the program's annual savings, based on 1991 energy rates, would be as follows: The electrical demand would be reduced, as I mentioned, by 10.5 megawatts, which would equate to \$472,986. The electrical consumption would be reduced by 32.6 million kilowatt-hours, which would equate to \$1,698,689. Of course we would be using natural gas to take the place of electricity to some extent, and the gas we would use would amount to something like 89,240 MCF, which equates to \$411,600. If you add that lot up, the net savings come to \$1,760,075.

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This is the type of project the school board wishes to undertake. It would save not only energy but operating tax dollars on an ongoing basis. For a project of this scale, that is over \$37 million, which would be particularly useful in these hard economic times.

The school boards urge the committee to endorse the amendment to the Power Corporation Act which will enable Ontario Hydro to support projects that permanently reduce electrical demand and increase energy efficiency. Furthermore, the boards urge the committee, and indeed the Legislature, to pass the necessary amendments as soon as possible, because every month of delay costs the boards approximately \$150,000 in unrealized savings. Furthermore, every month of delay also means that people who could be working remain unemployed.

A project of this nature and magnitude would provide an excellent example of how to reduce electrical demand and increase energy efficiency while at the same time making available an extra 10.5 megawatts of electrical energy with no adverse effects on the environment.

I thank you for your attention. My colleague and I will be pleased to address any questions the committee may have.

**The Vice-Chair:** We have about three or four minutes per caucus. I will start with Mr McGuinty.

**Mr McGuinty:** For the program you have described here in some detail, capital costs are \$37 million. Am I correct? I want to be clear in my understanding of what it is you would like Hydro to be able to do. Would that be to give you the full \$37 million, to loan some of it, or how would it work?

**Dr Murray:** It is my understanding that the way the \$37 million would be paid for would be roughly \$15 million to \$16 million in direct cash payments by the school boards, with the remainder coming from direct grants and from savings in the first five years. This is the way the project is structured.

**Mr McGuinty:** Would it make any difference to you whether some of that came from a gas utility?

**Dr Murray:** I am not clear.

**Mr McGuinty:** One of the issues here is who is going to pay for this. Ratepayers? I understand you have a concern for your taxpayers, but I am more concerned about the subject matter of this bill and about Hydro's ratepayers. I am wondering who should be paying to subsidize people to go from electric heat to gas. Should it be Hydro solely, or a natural gas utility, or who?

**Dr Murray:** We regard ourselves as a major ratepayer. We pay \$27 million a year for electricity, and we believe this is a very reasonable expenditure of whatever contribution we would be making to the grants to make the whole operation more efficient.

**Mr McGuinty:** I do not really have another question, but perhaps a comment or a concern that I could register with you is that I have yet to be comforted or convinced that if we proceed with this kind of program, there would be a net savings to ratepayers generally, including the people in Sioux Lookout who do not have access to natural gas, for instance. That remains something I hope to get more information on as time progresses. Certainly you illustrate here very effectively the potential savings.

**Dr Murray:** Mr Brown will speak to the latter point, because we have spent considerable hours looking at the relative costs of these area options.

**Mr Brown:** This project would displace, provide or make available about 10.5 megawatts of energy. This will help to avoid a need for Ontario Hydro to build future generating plants. My understanding is that the incentive Ontario Hydro would be offering us on a per kilowatt basis or megawatt basis is significantly less than it would have to pay to build new plants. In those terms it is a benefit to all the residents of this province.

**Mr McGuinty:** That is what we have been told, but I have not seen the numbers yet. I am looking forward to receiving them.

**Mr Arnott:** Mr McGuinty took part of my question. I was wondering if you particularly cared where the subsidy money was coming from with respect to this project that you are hoping to pursue.

**Dr Murray:** We have not considered that. If this were the federal Department of Energy, Mines and Resources—we in fact have been dealing with and talking to the Ontario Ministry of Energy throughout the preparation of our submission and the proposal. As a school board, we believe we need the kind of grants or stimulation that Ontario Hydro is offering in order to proceed with the project. It is fairly obvious that these are going to be public funds.

**Mr Arnott:** Are you familiar with the concept of power at cost? Many of our witnesses have brought forward the concern that power should be sold at cost and that one of the original operating concepts of Ontario Hydro, dating back to the start of the century, was the mandate to sell power at cost. Are you familiar with that concept?

**Dr Murray:** I read it in the paper yesterday, but no, I cannot participate in that discussion.

**Mr Arnott:** Many witnesses have seen this bill as a rather severe deviation from that principle. Would you have any comments on that at all?

**Dr Murray:** No.

**Mr Brown:** I cannot comment on that particular question, but I think we have to understand the benefits behind this type of program. As we know, over the years, Ontario's demand for electricity increases. We have reached a point where to build a new generating plant obviously is inconsistent with protecting the environment, whichever way you go. If you go for fossil fuels, you produce pollutants. If you go nuclear, then of course you run into strong public opposition on two fronts.

What Ontario Hydro is seeking to do is to provide extra capacity through conservation. This is exactly what this project is doing. It is doing it in two ways. It is using a more efficient fuel for heating and using it more efficiently through modern plant, and it is using what electricity it does use more efficiently because it is modern, high-efficiency equipment. This would make a very significant contribution to making available extra electrical power without any increase in generating capacity. To give you some idea, 10.5 megawatts, in very rough terms, equates to

something like fuelling over 1,000 homes. That is without building any extra plant.

I put it to you that this has to be beneficial to this province and that this particular project is totally consistent with the government's own policy. Indeed, it is my understanding that only last year the government prohibited the use of electrical heating in any further socially assisted housing because of its concerns about electrical demand. This project is totally consistent with that.

**Dr Murray:** If I may add something, I was part of the team that built the schools. We spent considerable time looking at the fuel option. At that time, in terms of our understanding of rates and probabilities and the probable cost of nuclear, which was there and going to become very large, we made the bet, with the encouragement of Hydro, to go electric. Many people did that with many buildings at that particular time. It is ironic to come back now to support Hydro to go in the other direction that we seriously considered some 25 years ago when these were in the design stage.

**Mr Arnott:** Would you then agree that perhaps government creates problems for itself when it interferes in the energy market, and that if it goes too far in encouraging one particular form of energy, it may create problems for itself down the road? Would that not be a lesson?

**Dr Murray:** My personal opinion is that it is the responsibility of government to manage the supply of energy for industry and private and public consumers.

**Mr Arnott:** Including interfering in the normal market distribution of that energy?

**Dr Murray:** The alternative to interference is *laissez-faire*, which is no guarantee.

**Mr Wood:** It is quite obvious that there is an enormous waste out there in the type of fuel being used for electric heating, heating water and this kind of thing, just in the fact that you are saying \$150,000 each and every month would be saved. I wonder if in your opinion there is any concern about fuel switching. Is there a concern or any fear of supplies of oil or gas or other types of fuels? I know that in Sioux Lookout there is no gas, but there are other types of fuels, and there are other types of fuels throughout the province. Is there any fear in the minds of the people with whom you have been dealing?

**Dr Murray:** We are also a major gas consumer. We buy our gas directly and pay to have it transported and pay to have it distributed locally by Consumers' Gas. There was a break in Calgary two weeks ago. Our gas did not come from that particular field, but in our contracts—we are in the second or third of these contracts—we certainly look at that, and in that instance the suppliers and the users get together and share the difficulties as they arise.

We looked at the security of supply 20 or 25 years ago and deemed it safe then, and certainly the distribution methods and the collective sharing are much more secure today than at that time. Yes, we are major users of gas and we are prepared to take that risk. The same risk exists with some of the electrical sources.

**Mr Wood:** Once again, I would just like to say that it is quite impressive. The conservation and switching are an example of the amount of extra capacity that does not have to be generated through coal or nuclear or other types of plants that have to be built. It is really impressive. Thank you for making a presentation.

**Mr Klopp:** Mr Arnott brought up a point. About 25 years ago, it looked like electrical was the way to go. Was it the government that prompted you to go that way, or was it Ontario Hydro?

**Dr Murray:** It was Hydro.

**Mr Klopp:** We are being told it is going to be government now. It is going to be telling people what to do, telling Ontario Hydro what to do. I just wanted to make that point clear, that it was Ontario Hydro that promoted it.

**Dr Murray:** Yes, there is no question that we dealt with Hydro. I do not believe we dealt with any government agencies at that time.

**The Vice-Chair:** I thank you, gentlemen. You have brought an interesting perspective. I personally never

thought of schools, but reading this and hearing your figures, I am really amazed. It opens up a whole new field.

**Dr Murray:** It certainly is not just Metro; it is right across the province. There are many opportunities in schools.

**The Vice-Chair:** I do not think a lot of us were aware of that, so I thank you very much for that.

I will conclude the hearings for today. I remind the members that we will be in Kingston on Monday, so please take everything with you when you leave today and be prepared for another week of travel.

**Mr McGuinty:** I refuse to get up at four o'clock in the morning, Mr Chair.

**Interjection:** You do not have to.

**The Vice-Chair:** We have allowed you till at least 4:15 now.

With that, we stand adjourned until Monday in Kingston.

The committee adjourned at 1454 pm.

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## Legislative Assembly of Ontario

First Intercession, 35th Parliament

## Official Report of Debates (Hansard)

Monday 27 January 1992

### Standing committee on resources development

Power Corporation  
Amendment Act, 1991

## Assemblée législative de l'Ontario

Première intersession, 35<sup>e</sup> législature

## Journal des débats (Hansard)

Le lundi 27 janvier 1992

### Comité permanent du développement des ressources

Loi de 1991 modifiant  
la Loi sur la Société de l'électricité



Chair: Peter Kormos  
Clerk: Harold Brown

Président : Peter Kormos  
Greffier : Harold Brown

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Monday 27 January 1992

The committee met at 1254 in the Ramada Inn, Kingston.

### POWER CORPORATION AMENDMENT ACT, 1991 LOI DE 1991 MODIFIANT LA LOI SUR LA SOCIÉTÉ DE L'ÉLECTRICITÉ

Resuming consideration of Bill 118, An Act to amend the Power Corporation Act / Projet de loi 118, Loi modifiant la Loi sur la Société de l'électricité.

#### BELLEVILLE UTILITIES COMMISSION

**The Chair:** Good afternoon. The first group, the Belleville Utilities Commission, is scheduled for 1pm. Please come forward, have a seat and tell us who you are. There is coffee and, bless them, made-in-Ontario apple juice. There will be no cross-border shopping today.

We have 20 minutes per presentation. As you will discover, inevitably the most interesting part of these presentations is the questions and dialogue that take place after the submissions, so please try to keep your comments to 10 minutes or under so that we have adequate time for questions and comments. Gentlemen, please tell us who you are and carry on. We have your written submission, which will form part of the record as an exhibit to the proceedings.

**Mr Barrett:** Thank you very much. My name is Richard Barrett. I am the chairman of the public utilities commission in Belleville. With me is the general manager of the commission, Mr Neal Britton.

Mr Chairman and members of the committee, we wish to thank you for the opportunity of presenting the views of the Belleville Utilities Commission respecting this very important Bill 118, An Act to Amend the Power Corporation Act. It is very important because in our opinion it introduces fundamental changes in the relationship between Ontario Hydro, the cabinet and the Legislature as well as the costing of electricity in Ontario. The economy, the environment and the life of every citizen is affected by Ontario Hydro's operation, and therefore the proposed changes deserve the consideration of us all.

Our commission, whose members are elected by the citizens of the city of Belleville, is concerned about three aspects of the bill: the corporation's board; the determination of the purpose and objectives of the corporation by the Legislative Assembly, and the retention of the power-at-cost principle. We would like to address each of these briefly.

First, the board: When Ontario Hydro was a commission, there were three commissioners. This was later increased to five. The corporation started out with 13 members and increased to 17 and now it is proposed to increase it to 22 members. The Deputy Minister of Energy would be non-voting. We cannot see how increasing the

size of the board will in any way benefit the electric customers in Ontario who pay all the bills.

The minister, when addressing the Legislature on 23 September 1991, said that it "will ensure a wider representation of public interests," and further, that he believed "the time has come to also appoint some of the employees of Ontario Hydro to the very board in which they are employed."

It is our opinion that 17 members should permit a sufficiently wide representation and that Ontario Hydro employees already have much influence on the board. More members are not needed, but if more representation is needed it should come from the municipal electric utilities, which are the front-line suppliers of 75% of the electric customers in Ontario.

With regard to the salaries of the chairman and other members of the board, we believe they should be established by the respective body that makes the appointment. Thus, the president's salary should be established by the board and all others by the Lieutenant Governor in Council. It is assumed that the Deputy Minister of Energy's liaison duties would be part of his duties as Deputy Minister of Energy, and that no part of his salary would be payable by the electric customers of Ontario.

The second point we would like to address is the determination of the purpose and objectives of the corporation by the Legislative Assembly. A secure, reliable electric supply is vital to the residents of Ontario. Its influence on the economy of the province demands a healthy, vibrant corporation with a confident and clear understanding of its role and purpose. Such an understanding cannot be acquired if it is ever-changing.

If the role of Ontario Hydro is understood by judiciously selected members of the board of directors appointed by the Lieutenant Governor in Council, they should be able to ensure that the corporation fulfils its mandate.

The size of Ontario Hydro as determined by any measure, annual revenue, capital investment, indebtedness, number of employees or number of retail customers, dictates that its influence on the provincial economy is far too great to permit its focus to be changed without a clear understanding of the effects of those changes. This should only be done after consideration and ultimate approval by the Legislative Assembly and not simply by a ministerial directive.

We further believe that the purposes and objectives of Ontario Hydro should be restricted to electrical energy production, supply, delivery and its wise use. It should not be required to enter into programs involving other forms of energy except on a shared-cost basis with the supplier of the other energy sources.

1300

The third point I would like to touch on is power at cost. Sections 2, 3, 4, 5, 6 and 7 of Bill 118 would allow policy directives to be issued by the Minister of Energy that have no direct relationship to Ontario Hydro's present mandate. This could have an adverse effect on the power-at-cost principle and mean higher costs for our customers.

We recognize that the power-at-cost principle is not limited to the costs of producing and delivering electrical energy. These costs also allow for the effective management of this resource, including aggressive conservation programs targeted at its use. As a public utilities commission we are eager to participate in this process, as every supplier of all forms of energy should be.

This proposed legislation seems to suggest that an energy substitution program will encourage, through financial incentives, electrical customers to switch to another form of energy, most likely natural gas, for their heating needs. Such a plan is completely contrary to our understanding of a founding principle of Ontario Hydro, power at cost.

Load reduction through programs such as fuel substitution may have merit and should be pursued. However, any program that involves more than one form of energy should not be funded by electrical customers alone. Certainly the energy supplier who stands to benefit from fuel substitution should be expected to pay its fair share of any financial incentives.

Our commission believes that by retaining the power-at-cost principle when pricing electricity, the actual cost of providing electrical service will be known. If the Legislative Assembly decides through legislation that costs not directly related to the cost of power, such as conservation initiatives involving multiple energy sources, should be shared by electrical retail customers, then include it as a separate tax on the bill; do not bury it in the cost of electricity.

In summary, it is the opinion of the commission of the city of Belleville, first, that the corporation's board of directors need not be increased in size and that members' salaries should be established by the body responsible for their appointment; second, that the purposes and objectives of Ontario Hydro should be established by the Legislative Assembly as set out in the Power Corporation Act, not by ministerial directive, and third, that the power-at-cost principle should be maintained with no provision to include such extraneous costs as those related to social or energy substitution programs.

Respectfully and sincerely submitted on behalf of the public utilities commission of the city of Belleville.

**The Chair:** Thank you, sir. We will now have time for questions. I want to explain to people that this is a standing committee of the Legislature, which means that all three caucuses, all three parties, are represented. Among the participants and members of the committee are Dalton McGuinty, who is the Energy critic for the official opposition, the Liberal Party; Leo Jordan, who is the Energy critic for the Progressive Conservative Party, and Bob Huget, NDP for Sarnia, who is also the parliamentary assistant to the Minister of Energy. Today we have Gary Wilson here in Kingston. We are so happy to be here and to have you here.

**Mr G. Wilson:** This is a lovely city, as you will see from the exhibition in the lobby.

**Mr McGuinty:** Thank you, gentlemen, for your presentation. I want to pursue this matter of the board. You have indicated that you cannot see how increasing the size of the board will be of any benefit to me as a ratepayer. I guess one of the problems with appointments to the board, if you follow that through a bit more, is that they are pretty well taken to be appointments of people who are going to toe the government line, and sometimes the government line may not be in the interests of ratepayers. Do you have any suggestions for this committee to ensure that we could provide in some way for a board of directors which would always look to the interests of ratepayers first?

**Mr Barrett:** One way of ensuring that the board of directors acts in the interests of all the people of Ontario is to ensure that it has a clear mandate of what its purpose is and not enable it to sway from that. I think Bill 118 gives too much leeway as far as strolling away from what the mandate of the day is.

**Mr McGuinty:** Who do you believe should have final say with respect to Hydro's matters of policy? Should it be the government or should it be the board?

**Mr Barrett:** It should be the board, but it should be within its framework.

**Mr Britton:** There is no question in my mind that the mandate must be established by the Legislature. The corporation is a creation of the Legislature and therefore the Legislature must assume responsibility for the mandate. The board of course should set policy within that mandate.

If I could, I would like to make one comment on your first question.

**Mr McGuinty:** Sure, please do.

**Mr Britton:** It seems to me that the only people in Ontario who are specifically elected by the people in the interests of the electric utility system, albeit their own municipalities, are the municipal electric commissioners. Members of the provincial Parliament, such as yourselves, are elected for the whole breadth of legislative responsibility, including the Power Corporation Act, and therefore you too are directly elected, but for representation on the board it seems to me the one source that should be recognized is the municipal electric commissioners. That is where I think you should be drawing.

You are now drawing someplace in the neighbourhood of 12% of the board members from the electric commissioners. You consider those who have been suggested by the Municipal Electric Association, but those elected commissioners represent and have been elected by or appointed by councils that have appointed them by 75% of the customers. I think that proportion of members on the board, and that is why we mention it in here, could well be increased.

**Mr Cleary:** Thank you, gentlemen, for your brief. It is always helpful when you have a brief with recommendations. I take it from your brief that you feel strongly that the power-at-cost principle should be carried on instead of

straying from that. Would you care to add a bit to what you said in the brief?

**Mr Barrett:** We just feel that if you maintain the power-at-cost policy, the ratepayers of Ontario will have some sort of protection as to what they are going to be paying in the future. The cost of electricity will go up certainly, but if you go away from the power-at-cost principle, then the price of electricity is up to whoever is in government that particular day. There is absolutely no control over what the funds generated by ratepayers would be used for.

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**Mr Arnott:** My question is with respect to the determination of the purpose and objectives of the corporation by the Legislative Assembly. In my view, one of the great dangers of this bill is that, because it gives new powers to the minister, in all likelihood we may never see another amendment to the Power Corporation Act and therefore those issues will not again be debated in the Legislature. You have picked up on that point quite well I think. I am wondering if you see this bill as a deliberate attempt by the government of Ontario to usurp power from the Legislative Assembly and put it into the hands of the minister directly.

**Mr Barrett:** I do not know what the intent is. They might have very good intentions for what they wish to do with this leeway, but the problem is that the government in power right now is not going to be in power—may be or may not be—6 or 10 years from now. What the government will do with this leeway is anybody's guess and I think it is best that it not be there.

**Mr Jordan:** Thank you, gentlemen, for your excellent presentation. Bill 118, along with other policies, has created an uncertainty of supply and an uncertainty of cost across the province. Would you like to comment on that relative to your city?

**Mr Britton:** We have never been short of power, being able to receive from Ontario Hydro the power we have needed. I would say, though, that in my contact with customers, industrial customers particularly, their prime concern is security of service and an adequate supply. While this bill does not seem to me to particularly address the demand-supply plan, with it and the provisions being made for fuel substitution and so on as means of ensuring an adequate supply of electricity, I feel we are certainly running on a very thin edge or thin ice in our forecast and for the insurance of that secure, adequate supply that industry in Ontario has needed over the last 70 years and is going to need in the future. I have serious reservations about that.

**The Chair:** Thank you. Mr Jordan, we have to move on, unless you are going to be very brief.

**Mr Jordan:** I am just going to ask if the local commission was being consulted at all on the conservation programs, or are they being blanketed across the province from Ontario Hydro. Give this as an example.

**Mr Britton:** Do not get me into that. My personal feeling is that a lot of that is smoke and mirrors.

**The Chair:** The transcript will not show what those are. Those are lightbulbs, 52-watt bulbs.

**Mr Jordan:** There are \$7 million worth, Mr Chair.

**The Chair:** The fact that government members can smile about that now means that perhaps you are getting through. You wonder why the Premier reads the transcripts of these.

**Mr Huget:** If it is the last thing I do, I am going to get those lightbulbs out of that bag.

I have a question on the fuel substitution issue. I would like some clarification on policy and on the financial incentives for substitution. I think we could probably agree fairly safely that electric heat is more expensive than natural gas, oil, wood or solar heat. Would you agree with that?

**Mr Britton:** I would, certainly with respect to gas. I have not made comparisons with respect to the others. You are probably correct.

**Mr Huget:** If we look at that being the case, and fuel substitution being in the best interests of the consumer, how would you see financial incentives, if there were to be any? Who would you see as participating in that and how would you see that working?

**Mr Britton:** As we have indicated in our submission, we believe strongly in the principle of the power at cost. While one might argue that the same people, whether it be an electric customer or whether it be a provincial taxpayer, are paying the price, I think there is a difference between electric rates and taxes. If the Legislature feels that financial support should be given to encourage fuel substitution, it seems to me that it should be prepared to pay the price and collect it through taxes. That may not be popular within our industry, but I would sooner see it appear as a tax on the electric bill than buried in the cost of the bill. At least we would continue to know what it is costing us to provide electricity and, by and large, electricity has not been tax-supported over the years.

**Mr Huget:** Do you see a role for example, and there has been none developed, for any kind of financial incentive program for those other sources of energy? Should they be participating in this? The criticism has been, why should the electrical people pay for that? What I want is your views on who should participate in this.

**Mr Britton:** If we are talking about energy and you feel that the energy users should pay, then make it a tax and apply it to the energy bills of gas, oil, electricity. Ontario Hydro has a history since it introduced electric heating in the late 1950s of being the only energy supplier that really was concerned with insulating homes, the old all-electric homes. You can be critical of it or whatever, but they talked insulation. There has not been any other energy supplier that has done that, and they are not doing it now.

Ontario Hydro, a few years ago, had a residential energy advisory program. It was being paid for by the electric customers and it was applicable to gas customers and everyone else. To my way of thinking, that is not right. If we feel as a Legislature that we should support it publicly, and I am inclined to think we do have some responsibilities, it should be by taxes, and if we want to put that tax on gas,

on electricity, on oil, on whatever, let's put it on. Put it up front so that people know. People are concerned that so much is hidden. The cost of electricity is known at the present time. Do not mix in with it other extraneous costs so that they do not know the price.

**The Chair:** Gentlemen, we thank you and the Belleville Utilities Commission for participating this afternoon. You are welcome to stay. There are a number of other commentaries to be made yet today. We very much appreciate your coming out.

#### PORT HOPE HYDRO COMMISSION

**The Chair:** The next participant is the Port Hope Hydro Commission. Please come forward and tell us who you are. I also want to welcome Mr Good from the Kingston Public Utilities Commission who has taken time out to be here today along with another Kingstonite, Vince Maloney, a long-time municipal leader. We welcome them and are grateful for their participation and attendance today.

Tell us who you are. We have your written comments. Please go ahead.

**Mr Hueston:** My name is Frank Hueston. I am chair of the hydro commission of the town of Port Hope, which is in Northumberland county. I am also the immediate past chair of the Municipal Electric Association. However, it is on behalf of the commission that I speak to you today. I am pleased to have the opportunity to address this august body and I thank you for accepting my petition.

You are undoubtedly aware that many of the electrical utilities of this province have grave concerns over some of the provisions of Bill 118, An Act to amend the Power Corporation Act.

The electrical utilities of Ontario are concerned that this bill is yet another intrusion on the concept of power at cost. This concept was responsible for the early industrial success in this province. In recent years, provincial governments have imposed water rental charges, the debt guarantee, the rural subsidy assistance, and the federal government added the GST. This means that about 15% of an already high utility bill is made up of tax or tax-like charges.

Hydro rates in Ontario are no longer competitive. The Tennessee Valley Authority advertises, "We have power for you at less than five cents US per kilowatt-hour." The large-user rate in Port Hope varies from 6.46 cents Canadian in the summer to 7.43 cents Canadian in the winter per kilowatt-hour. Combine this with right-to-work legislation, and the states in the TVA area have a big business advantage over Ontario.

We are also concerned about the \$250-million bailout of Elliot Lake. The costs of this action are not taken into account in the 11.8% hike in the wholesale rates for 1992 and will have to be paid for in future years. I understand that this action was not taken under the proposed revisions of Bill 118, but directives like this are of grave concern to electrical utilities.

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You may also be aware that many utilities communicated with Energy minister Will Ferguson after this bill

became available for perusal. As a result he issued a press release on October 2 clarifying the government's intent in some of the aspects of this bill. It is on what I understand to be the government's current position on this bill that I wish to speak to you today.

Specifically, the commission of the town of Port Hope is most concerned over the intent of government in passing this bill. We want to be clear that the intent of the government and the majority of the utilities in this province is the same.

We note that when Mrs Joan Fawcett, Liberal member for Northumberland, addressed the House on Bill 118 last October 17, she made reference to the closing of a government tree nursery in nearby Orono, and I quote:

"The government apparently consulted with the employees and told them that they had nothing to fear, that this was just a revamping to make better use of the resources available. Now their jobs could also be clear-cut. They look at the new organizational sheets and they cannot find themselves, after being told there was no fear, their jobs were secure. And they say: 'Trust us. We are from the government. We know what's best for you.' I have a problem with that because I wonder what is coming next."

The utilities of Ontario want to be sure what is coming next is not trouble with the commitments we have on Bill 118.

I would like to review the provisions of Bill 118 with you and offer the sentiments of my commission.

The increase in the number of members of the board of directors is of concern. We are concerned about losing the bank executives, corporate lawyers, business people and engineers of previous boards, people with the business experience, able to offer guidance to the corporate executive. This comment is not intended that the views of ordinary citizens should not be represented, but to ensure that the board can function as it should. We are also concerned with the presence of the Deputy Minister of Energy in a non-voting capacity. It is our concern that he or she may intimidate board members. If he or she is there to communicate government directives, he or she should not be a member of the board. If he or she is there to ensure good communication with the government, then give him or her a vote.

The Municipal Electric Association represents over 70% of Ontario Hydro's customers and its members hold an equity in Hydro, in 1989 figures, of \$2,476,893,603. On the basis of the debt-equity ratio of 81.7 to 18.3, this represents about 39% of real equity.

Traditionally, when the Hydro board was composed of 11 members, the MEA had two members on this board. There was a short list recommended by the association and the members were picked from it and approved by the government. With the enlarged number on the board, our commission thinks that number should be increased to four, thus retaining the balance. Furthermore, it should be included as a statutory requirement in subsection 3(1) when revised. Any group that has 39% interest in real equity of a corporation would have this type of representation in the real business world. If this government wants to

convey to the business community that business is as usual, here is an opportunity to show that it is so.

With regard to subsection 9a(1), a press release by the minister dated October 2 stated, "Sections of the bill will be clarified to ensure the government's intent that any policy directives that are issued related to the corporation's exercise of its power and duties under the act do not lead to an extension of these powers and duties by means of government directives." We want to be absolutely assured that this means no additional increase in the cost of power to the retail customer. Subsection 9a(4) regarding liability seems to be contrary to the direction of other legislation being contemplated by the provincial government, and I reference the *Globe and Mail* editorial of May 21, 1991.

The proposed amendments in subsection 56b(3) to permit financial support for fuel substitution projects are flawed. With the direction that electrical costs are headed in this province, economics alone should look after the substitution situation. Why should electrical customers of a utility or the Ontario Hydro rural power district with no practical fuel alternative available be required to support a customer who does? The real problem is that the needs of this vast province are diverse. What is good for the greater Toronto area utilities is not necessarily good for northwestern Ontario utilities.

On January 15 Ontario Hydro announced that it is deleting any additional coal and nuclear plants from its 25-year demand-supply plan. Additional new hydraulic sites appear to be on more or less permanent hold due to environmental reasons. It would appear that any additional supply must come from natural gas. Can we be assured that the price and availability of natural gas will remain stable over this period of time? I have a great concern that the real change in this plan is the focus on future planning. It has moved from the upper probable to the median. This means that, statistically, future needs planning will underestimate the real need by 50% of the time instead of 10% of the time.

Perhaps the time has come for the government to consider the establishment of a provincial natural gas utility. This would provide a more level playing field. After all, there are 312 local electrical utilities already in place to manage local distribution. I point out to you that these hearings are being held today in a city where the local public utilities commission is responsible for natural gas distribution. That proves it can work.

This concludes the formal portion of my presentation. I thank you again for the opportunity to speak to you today on this most important piece of proposed legislation. I shall be pleased to answer any questions the committee may have to the best of my ability.

**Mr Jordan:** Thank you, sir, for your excellent presentation. It would seem that the main thrust of Bill 118 is to find other ways of supplying the electricity needs in the province—I mean other ways than nuclear generation, whether it be by natural gas or by conservation. This is creating an industry, a very restless uncertainty of supply and an uncertainty of cost. Do you have a problem, coming from Port Hope, with the ongoing development of the technology of nuclear as a base for generation in Ontario?

**Mr Hueston:** I think we are in a situation where we have to keep all the options open. Frankly, I am an engineer by background but I have not personally got a good hold on where this atmospheric warming thing is going. How serious is it? If it is very serious then nuclear may be your option by elimination because it is the only massive way of generating electricity without CO<sub>2</sub>.

I think the options have to become open. With Ontario Hydro's proposed change in focus here, what is going to happen is, anything that is long-term, that has a large front time ahead of it is going to be eliminated, because the need will be there before the facility could be developed or built.

**Mr Arnott:** Thank you for your presentation. I am holding in my hand the Update 1992 that the chairman of Hydro put forward. You mention it in your presentation. One of the most important points it makes is the new demand management proposals. Instead of 5,570 megawatts, as was in the original demand-supply plan, now the chairman is talking about saving 9,860 megawatts by the year 2014. What would you make of those forecasts?

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**Mr Hueston:** I had the opportunity to hear the vice-president of environment of Ontario Hydro speak in Toronto last week, and he is the first person to admit that it is a very aggressive program. You tie that with this focus now that they have dropped down to the median. In other words, if you look at the charts in there, you will see that the farther out you get, the wider the uncertainty of the requirements in Ontario.

In the 1989 presentation they followed the upper median. There is not a big spread in this—it was about 0.3%—but if you move that thing out about 20 years it becomes a very significant block of power. They have dropped from that down to the median. Frankly, that is the only change that has occurred from 1989 to 1992. They have dropped out the need for that 10% to 50% uncertainty and that says, "If we drop that out we don't need anything new." If you put it back in and you actually look at the numbers, the upper median for 1992 is a little higher than what it was for 1989.

**Mr G. Wilson:** Welcome to Kingston, Mr Hueston. I am certainly pleased that you made reference to the importance of natural gas in providing energy and singled out Kingston as being the only public utilities commission that has both under its control.

I did want to mention another thing. You talk about how our government is suggesting that it is going to be business as usual. I think that is part of the reason for the thrust behind this, the changes to Bill 118: to suggest that we have to do things in a different way. One of those different ways is a focus on conservation. You have not mentioned a lot about conservation in your brief. I was just wondering what your thoughts are in that regard, what a utility can do to promote conservation specifically, but perhaps more generally, what scope there is for realizing gains in that way.

**Mr Hueston:** In the lighter vein, not with 52-watt lightbulbs. There is as good a chance that somebody will

screw out a 40-watt bulb and put the 52-watt bulb in as that he will screw out a 60-watt bulb and put the 52-watt bulb in. That is not the way to go. I fully believe that conservation is the cheapest way to look after a power system, and I can tell you that in my own house I have 14 compact fluorescent bulbs. I also have a number of quartz halogen bulbs which are not readily available up here. I bought mine in cross-border shops. You can get them through a wholesale house here for \$9.50, but I can buy them in the supermarkets in the United States for \$2.99. I am talking Canadian money and US money here but there is still a significant difference.

**The Chair:** You are also talking about the tolls on the bridge and the gas and the lineups and the fact that it is far more effective to buy them in your home town. I knew that is what you meant.

**Mr Hueston:** Yes, yes. It is better to pick them up when you are coming home with your car after having spent a couple of weeks in Florida. That is an approach for a reading light. The quartz halogen bulb puts out a much purer light and is about 30% more efficient than an ordinary incandescent bulb. Seventy-two watts of a quartz halogen bulb will give the equivalent of 130 watts of incandescent power on a lumen basis.

**Mr G. Wilson:** At one of the submissions to this committee in Toronto the point was made that as expensive and maybe as ineffective as this program Mr Jordan keeps referring to was, there was still a very good advertising campaign. It drew to a lot of people's attention the fact that conservation is important. Now Mr Jordan himself is trying almost singlehandedly to keep this program going, and we are very grateful for that. But what I want to focus on is just what we can do or what scope is there for promoting conservation.

**Mr Hueston:** I know in Port Hope we sent out questionnaires to all our customers. We are not a big utility; we have about 4,700 customers, I believe, but the cards are coming back. We put out a whole list of things: What do you want to know about? One of the things was cost of power and conservation, all that sort of thing. We are planning to run a series of four evening seminars for our people to answer their questions. Certainly, as I said before, if we could teach our teenagers that there is an off section to an on switch, I think that would be a good conservation job too.

**Mr McGuinty:** One of the things Hydro is telling us it is going to be doing through its new update is extending the life of the fossil-fuel-fired plants which, up until 1989 in any event—well, up until a few weeks ago it was telling us they had only a 40-year lifespan and now we are going to extend that life through some kind of work to be done on the plants, and as a result of course we are going to be prolonging the period of time in which these plants will be producing some of the byproducts resulting from generation which are harmful to the environment.

It is also my understanding that in the past year Hydro has had difficulties meeting its targets with respect to acid gas emissions. As a result it has had to purchase hydro from the United States. I think it is reasonable to expect that in years to come those targets may become more strin-

gent and, furthermore, we may even have carbon dioxide restrictions. There are none at present.

I wonder if you can comment, first, on the advisability of extending the lifetime of these fossil fuel generating plants and, second, on what kind of problems we are going to encounter in terms of meeting those emission controls.

**Mr Hueston:** It is my understanding that the length of the fossil fuel plants has been extended not on the basis of decrepit plants; it has been extended on the basis that they are going to introduce flue technology and what not that will cut down the emissions. That in itself presents another problem, because if you go back to your grade 12 chemistry you can calculate that if you want to knock one tonne of  $\text{SO}_x$  out of the air, you are going to end up with five tonnes of wet gypsum and you are going to find that a problem to deal with.

Ontario Hydro—and I question Hydro relentlessly about this—does not have any answers. They say they are going to store this gypsum onsite, but if you think spent nuclear fuel storage onsite is a problem, this is a massive problem just in square feet or square metres, or whatever you are talking about.

The second thing I would like to say is, buying power in the United States is a copout, because it is probably generated with coal and we are getting the  $\text{SO}_x$  whether they buy it across the border or whether we generate it here.

**Mr McGuinty:** Absolutely.

**Mr Hueston:** To be perfectly honest with you, if we are in a situation like that, I would rather see us exceed our own limits than to bureaucratically give it away by paying the US to generate it for us. I do not know; that may be difficult.

The other problem, of course, is that the non-utility generating stations that are going to produce  $\text{NO}_x$  and  $\text{SO}_x$  are not included in Ontario Hydro's allotment, but the stuff is going to be the same whether it comes up a non-utility stack or a utility stack. So that is ludicrous too.

**The Chair:** Mr Hueston, I feel badly stopping you on that note, but the fact remains that our time is up. I want to thank you on behalf of the whole committee for your interest, your time and your candid responses to the questions that have been put to you. I trust you will keep in touch.

You should know, along with others here, that a transcript of today's proceedings is available to you, as are transcripts of all the hearings and presentations made during the course of this committee. Let your local MPP's office know and she or he will be pleased, I am sure, to get those to you at no charge. I welcome your requests and invite people who are interested to request the sets of transcripts. Thank you, sir.

**Mr Hueston:** Thank you very much, Mr Kormos and the rest of the committee.

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#### RENEWABLE ENERGY

**The Chair:** The next presenter is Renewable Energy. Please seat yourself and tell us who you are.

**Mr Gobeil:** Good afternoon. My name is Charles Gobeil. I am the operator of a small solar energy business here in eastern Ontario. I feel that the proposed legislation

affects the direct operations of the business I am involved in, and I have some comments as to how I see it affecting the solar industry in eastern Ontario. I regret not having copies of my presentation for you; my typing system was slow.

Members of the committee, I have chosen to address you today to voice my support in favour of Bill 118, An Act to amend the Power Corporation Act. I believe these amendments will make it possible for Ontario Hydro to be transformed from an energy-delivery corporation to an energy-service corporation. Furthermore, the proposed changes will finally make the utility accountable to the Minister of Energy and ultimately to the people of Ontario. This is a public utility. As such, the services it offers should be in the best long-term interests of the citizens of the province and the natural environment which sustains all people.

Having said this, I will convey to you my feelings and vision as a small business person involved in marketing solar energy systems in eastern Ontario. Suffice it to say that since the mid-1980s, when the federal government offered home owners substantial financial incentives to install solar water heaters, the demand for systems has been low. Consequently, several manufacturers voluntarily closed their doors or went into receivership as the unsubsidized system prices proved too high when compared to unrealistically low electricity prices.

This experience was, however, critical to the maturing of the solar water-heating industry in Canada. The surviving businesses became more efficient, constantly refining their manufacturing methods while improving performance. The result has been a dramatic reduction in system costs. During this same period of readjustment, electricity prices in Ontario, as elsewhere, have continued to climb, although not enough to reflect the true cost of production. We now face large price hikes to account for these miscalculations.

The questions now are: Should Ontario Hydro be encouraging solar water heating? Would this be of benefit to the utility, the people of Ontario and the environment? I suggest to you the answer to these questions is a resounding yes.

Ontario Hydro, like most other public and private utilities, has recently begun to question the fiscal soundness of capital-intensive megaprojects. Such projects are no longer seen as the panacea to electricity supply, given their inflationary nature and the emerging costs of premature repairs to existing facilities. For these same reasons and a growing concern for the environment, the people of Ontario expect a more cautious and diversified approach from their utility. Ontario Hydro's recent initiatives in the area of conservation are a starting point for what must become a truly exemplary campaign that will facilitate our becoming world-class conservers.

Solar water heating can greatly reduce the electric energy now used for this purpose and reliably reduce peak loads, thereby reducing the need for new generating capacity. A recently released report commissioned by Energy, Mines and Resources Canada entitled *The Potential for Peak Load Reduction Through the Use of Solar-Assisted Domes-*

*tic Hot Water Systems* thoroughly examined the opportunities that exist here in Ontario. Given the relevance of the study, I have chosen to explain the work undertaking and findings in some detail, so please bear with me. The objectives were:

1. To design solar-assisted domestic hot water systems, specifically geared to peak reduction.

2. To evaluate the effects of each system on local utility, in this case Ontario Hydro, peak loads, load factors, energy consumption levels and customer satisfaction.

3. To assist each system's potential for a range of geographic locations and penetration levels.

The database: The study utilized climatic data for Toronto in 1988, obtained from the atmospheric environment service of Environment Canada. This was determined to be a typical meteorological year. Hourly utility load data for 1988 were obtained from Ontario Hydro.

A residential hot water usage profile was determined, based on the average of all houses monitored in a study by Ontario Hydro. This profile assigned both hour-by-hour draw volumes and daily totals of hot water use. Given the need to ensure reliability year-round from a customer satisfaction perspective, simulations were conducted, assuming approximately double the average daily use, that is, 450 litres. Most houses were found to use in the neighbourhood of 240 litres of hot water a day.

This additional test was done in accordance with delivery recovery tests specified with the Canadian Electrical Association Inc. Based on the average usage profile, an assumed water delivery temperature of 55 degrees Celsius made it possible to calculate the water heater load for a single family. The single family load was then multiplied by the total number of electric water heaters in Ontario, 1,136,000, to establish the total load in gigawatt-hours per year for electric water heating.

Then a variety of system designs were investigated, based on two commercially available Canadian solar systems. A conventional all-electric water heater with advanced control options utilizing off-peak charging was also compared. The variables examined in these comparisons included increased thermal storage and collector area, off-peak charging, increasing the storage temperatures of the solar water heater and the use of programmable thermostats.

The results for an advanced system design, utilizing two collectors, a programmable thermostat and a single one and a half kilowatt auxiliary element were very impressive. This advanced design showed the potential of energy reductions of 3,536 kilowatt-hours and 4,191 kilowatt-hours, depending on the type of solar collector used. There was a flat plate collector used in one situation and an evacuated tube design in another.

These values represent approximately 60% of the heating load, so this is a very significant reduction in the amount of electrical energy required to heat water. These energy savings per system were then used to predict the annual energy reductions for Ontario, based on a 20% market penetration of the above solar water heater designs. These totals were 803 gigawatt-hours and 952 gigawatt-hours for the two types of collectors. This is 803,000,000

and 952,000,000 kilowatt-hours of electrical energy saved in Ontario a year.

The results for the same advanced solar system demonstrated also the potential for reducing Ontario Hydro's capacity requirements. The peak power displacement potential per system was determined to be 942 watts at the generating station. Again, assuming a 20% market penetration for these solar systems, this translates into peak capacity reductions in excess of 214 megawatts.

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It is important to emphasize that the above energy savings and peak capacity reductions were not found to adversely affect the ability to deliver hot water to the user, even under the heavy-use scenario.

The economic value: It is clear that energy savings for consumers also represent dollar savings. This is also true for Ontario Hydro, given the costs associated with power generation. The term "avoided costs" is defined as the supply costs, which are avoided when any demand-supply option is substituted for an equivalent part of a demand-supply plan. An alternative option is generally seen to be justifiable if it is less expensive than the plan.

There are numerous ways to calculate this avoided cost. The study I am referring to has utilized incremental cost method to assign a value to the solar option described. This avoided cost calculation accounts for both the energy savings component by including factors such as fuelling, operation, maintenance and administration costs for a conventional generating facility, and the cost of emission controls. The power component value assigned reflects the cost of new capacity to meet the increase.

Based on a system life of 15 years for the solar water-heating system, the avoided costs were determined to be, to Ontario Hydro, \$2,523 and \$2,733 for the two types of solar collectors used.

In conclusion, the opportunity exists here in Ontario for us to implement Canadian solar systems which can save over half the energy we now use for electric water heating. Furthermore, the use of this technology will reliably reduce Ontario Hydro's peak loads without affecting the quality of service for its customers. Is this not in the best interests of Ontario residents? Should pursuing such options not be the new mandate of our utility? I say, yes, let's allow Ontario Hydro to truly serve the people of Ontario.

As a contractor with direct experience with sales and installations of solar water heaters, I will offer you my projections regarding the potential for direct and lasting job creation in this field. In Ontario, as I mentioned, there are currently 1,136,000 electric water heaters in use. The study referred to assumed a 20% market penetration, which I will also assume. This would mean the sale and installation of some 227,200 solar water heaters in Ontario. If we assume this work were done by two-person crews, each crew could install approximately 130 to 135 systems a year. A small contracting business would probably work with three two-person crews installing some 400 systems a year.

This scenario could be repeated a hundred times across the province, creating 700 jobs for six to eight years. This

is how many person-years of work are involved in installing 227,000 solar water heaters.

If one adds to this scenario some commercial industrial solar installations, which would surely follow in the wake of such a residential program, an additional crew for these installations would be required in many locations. This would boost, in my estimation, the impact of a concerted solar program to creating close to 1,000 jobs here in Ontario.

I believe in today's economic climate that we would all view this as an important job creation contribution. I am also convinced that such an effort would sensitize Ontario residents to the conservation ethic, thereby facilitating the introduction of other energy conservation technologies waiting to be implemented on a much wider scale: movable window insulation systems, solar pool heaters, solar sun spaces, photovoltaics and many more technologies.

The watershed of economic activity associated with a well-supported energy conservation effort is not to be underestimated. I have not attempted to assess the impact resulting from the primary and secondary manufacturing involved in the solar scenario. It is clear that the need to deliver approximately 250,000 solar water heaters to market would generate additional economic benefits to Ontario and other regions of the country.

Let me stress again that the jobs created by conservation are lasting and decentralized. These are not boom-and-bust jobs, but rather community-based jobs providing products and services to people all over the province, making us all more energy-conscious and environmentally responsible. Is this not a desirable goal for our public utility to support?

In my opinion, Ontario Hydro has an important role to play in the promoting and supporting of the conservation movement. Ontario Hydro has the capability of regularly reaching all of us with the conservation news. Our utility has an advertising budget dedicated to selling us the conservation message. Ontario Hydro has the reputation and credibility to make conservation a reality. It also has the responsibility to do so. It has the technical expertise to assist in the development and testing of technologies.

Ontario Hydro also has the financial incentive and capability of facilitating the purchase of solar water heaters or other energy-conserving technologies by home owners or industry and has in fact begun to do so, although for a limited range of products.

I would like to add a couple of comments on the issue of financing. There are real avoided costs to our utility in pursuing any given conservation measure, as previously shown in the case of solar water heating. Consequently, Ontario Hydro should be free to initiate any number of financial incentive plans which will facilitate this measure, given the costs are comparable. This does not constitute a subsidy but rather a wiser use of funds.

The implementation of a financing program which would allow home owners to repay the cost of installing solar water heaters, for example, from energy credits accumulated is one such type of financing option.

In closing, let me reaffirm my support for Bill 118. I urge you all to embrace the vision of a new Ontario Hydro dedicated to energy conservation and the appropriate use

of all forms of energy, responsive to the people of Ontario and sensitive to our environment.

**Mr Huget:** Thank you for your presentation. Just very briefly, of course the energy and fuel substitution issue is not restricted to gas. There are many other sources we should be looking at, and solar is obviously one of them. What I would like some clarification from you on is how far have we come with that technology. I think there is a perception that solar is a good idea in Phoenix, Arizona, and somewhere in Nevada, but how far have we come with the technology and how practical are its applications?

**Mr Gobeil:** It is here today, sir. I have sold and installed, although I did not install all of them, in excess of 50 systems in this area, all of which are working, winter and summer, to the full satisfaction of the home owners. The information included in this report is based on actual data collected from system monitoring and extrapolated upon by including some programmable thermostats and various other design modifications.

This is not a pie-in-the-sky technology that has not been proven. There is a company here in Ontario actively fabricating, although not selling as much as it would like to. Another plant in Nova Scotia, currently operating at only 10 per cent capacity, exports technology all over the world and is selling quite actively in the Maritimes. There is another in Montreal. In short, this is proven technology. We have a world-class solar lab here at Queen's University which is constantly monitoring equipment and assisting companies in improving the performance.

**Mr McGuinty:** Thank you, Mr Gobeil, for your presentation. The natural gas people have been telling us that people who are heating their homes with electricity are switching to natural gas at an ever-increasing rate simply because it is cheaper to heat with natural gas. Can you comment, first of all, on how many people are switching to solar for purposes of heating water? Also, if I were switching from electric space heating to gas, why would I not switch to gas-fired water heating at the same time? For instance, I do not know if you have the same deal around here, but in Ottawa, if I switch to gas to heat my house, not only do they delay payment for my furnace for four months, but they will give me a water heater for 12 months without payment. From a ratepayer's perspective, I am not sure if I can beat that by going the other route of solar power. Can you comment on those things for me, please?

1400

**Mr Gobeil:** On the issue of gas, there is no question that home owners will choose, in most cases, the less expensive option unless they are planning to stay in their home for a given period of time. I think if you look at the long-term system cost of a solar system versus a gas water heater over the life of the system, it is still less expensive to install a solar water heater, but people very often do not take the long-term view if they are considering changing location and moving from their homes.

To answer the first part of the question, not very many people are converting to solar water heaters at this time. This merging of the lowering prices of the systems and the increasing costs of electricity rates is just all happening

now. The paybacks without incentives are somewhere in the neighbourhood of probably six or seven years.

The only disadvantage is that it requires individuals to go and obtain bank financing or some other form of financing, which they are reluctant to do, and what appears to them to be a longer-term payback. If it were possible for them to pay for the cost of this technology through their energy savings, then this would be obviously much more attractive to them.

As I mentioned, it is in the interest of our utility to view this as an avoided cost to them and in some way facilitate that. It does not have to be in the way of an outright grant but just to facilitate that sort of capital purchase. I am sure that then, with the support of Ontario Hydro, the industry would explode.

**Mr McGuinty:** What are the capital costs for one household?

**Mr Gobeil:** There are systems now available where the system itself costs in the neighbourhood of \$1,500, and that is probably about a \$2,000 installed cost.

**Mr Jordan:** Thank you, sir, for your presentation. I am especially interested in your wanting to support and promote small business as you attempted to do. Rather than Ontario Hydro, would it not be more in line for the Ministry of Energy, in conjunction with the Ministry of Industry, Trade and Technology, to be supportive of your small business venture? It does not seem to me—

**Mr Gobeil:** No, I do not think so. We are talking about the solar industry as being a supplier of electricity essentially. We are really identifying this conservation measure as an alternative form of supply. Ontario Hydro is continuously looking at forms of supply and choosing one over the other. When we can conserve or supply energy in that way, then it certainly is within Ontario Hydro's mandate to consider that as a supply option and to determine the value to the utility of that option. It really is not any different from building a generating facility. If you can conserve the energy and thereby supply it to the people of Ontario, it is essentially the same process. I think that is what Ontario Hydro should do.

**Mr Jordan:** But did I hear you right when you added up the \$3,500 for the installation?

**Mr Gobeil:** No, \$1,500 for the system, which is approximately a \$2,000 installed cost.

**Mr Jordan:** I am sorry. It is \$2,000 total installed as against \$100 for a conventional water heater, whether it is electric or gas. What I am coming at is that surely you have more work to do, more research to do to get this so the initial cost is more competitive. I know there is a return out there, but that return is a difficult thing to sell, because as you mentioned, people are moving, they are not going to be in that house, so why should they add the capital cost to it?

**Mr Gobeil:** My point is that it is in Ontario Hydro's interest to consider this as a supply option and determine if this is an attractive way for it to be providing us with power, and it is.

**Mr Jordan:** I think Ontario Hydro has over the past year, through its research division and in conjunction with Queen's University, done a lot of research on the solar.

**Mr Gobeil:** This particular study I have was presented to them only this August. I am hoping this work, which is geared specifically to utility use of this technology, will surface, possibly with the assistance of some of the people here.

**Mr Jordan:** I just have trouble with moving on to a cash-incentive type of thing rather than assisting you as they have been in the past, as Queen's has been doing. The National Research Council also has been studying it. The Ministry of Natural Resources has several installations it is measuring. There is a lot of money being spent on it at the present time.

**Mr Gobeil:** That is right. It is ready to be commercialized. I am not suggesting an outright cash incentive or subsidy. I am suggesting that Ontario Hydro needs to look at this as a means of generating power and that it is economical for it to view it in that light and not necessarily give away large sums of money to make it happen.

**The Chair:** Sir, we thank you. We appreciate your participation today and trust you will be keeping in touch with us.

**Mr Gobeil:** Yes, thanks very much.

**The Chair:** I hope your local member, maybe even Mr Wilson, will ensure you get a transcript.

#### ACTION FOR SOCIAL CHANGE

**The Chair:** The next presentation is from Action for Social Change. Sir, tell us who you are and a little about Action for Social Change. Tell us what you will.

**Mr Dundas:** My name is Peter Dundas. I work with what I guess would be best described as a grass-roots political lobbying organization called Action for Social Change. When I say "lobbying," I mean that in almost a joking sense. With regard to the purposes of this committee, we have attempted over the last 15 years to bring pressure to bear on both the government and the public utility of this province to enlighten themselves as to the options that were open in Ontario for power generation and conservation. It is with that background in mind that I am here.

I do not also have a written presentation. I am just going to make a very few comments. If there are any questions, I would be happy to answer them.

There is a slogan that has been in use for some years among the people I work with and others like us around the province and around the world: "If the people lead, then surely the leaders will follow." That has been one of the bases of the kind of work we have been doing, particularly since 1978, on issues involving Ontario Hydro and the production of electricity in Ontario.

A former Minister of Energy, who was of course a Conservative at that time, in a public meeting in 1978 referred to us and members of our group who were questioning the route that Ontario Hydro was following at that time in terms of its massive megaproject approach to the development of electricity as Jeremiahs. The biblical reference to Jeremiah was that he was a prophet of doom. We,

in our opposition to Ontario Hydro, were prophets of doom. In that same year we were referred to by the chief of nuclear engineering of Ontario Hydro as a bunch of Luddites when we opposed the proposition that Ontario Hydro was involved in at that time, trying to bribe the people of Prescott into the acceptance of a new nuclear site in their backyard.

What goes around comes around, in a way. Here we are 15 years later talking to an auspicious group of individuals from the Legislature about the possibility of some fairly significant changes in policy of electrical generation in this province.

After that little introduction, there are a few comments I would like to make about the proposed legislation and questions I have about things that are or are not in it, as I see it in a cursory kind of examination. If some of these things are off the mark, I would be pleased to be advised of that.

#### 1410

There are a few things that we have been talking about, as I say, for 15 years or so in terms of energy policy and that should be law, and if they are not law, they should be accepted as just the way things are done in the province. One of these is the right to sun and right-to-sun legislation, the idea that when new residential subdivisions are built, houses should be oriented in such a way that they can catch the sun. This is sort of referring back in part to Charles Gobeil's previous presentation.

The ability or the viability of solar technologies is upon us in terms of solar hot water heating and will be upon us in a financially acceptable way in the form of photovoltaic development within a few years. So the idea of continuing to build residential subdivisions in this totally haphazard, stupid way that we continue to do it is no longer acceptable. Building tall buildings that block the sunlight from older residential areas that could in fact retrofit themselves to solar applications is no longer acceptable. Those kinds of things should be written into this legislation.

I have seen no mention at this point of Ontario Hydro's inverse rate structure whereby people who use more electricity get it for less cost than those who conserve. I am not quite sure why that is not included in the legislation. It is something we have been advocating for many years and there does not really seem to be any argument that can be mounted against it except for the possible one that it is a disincentive to big business to consume and as a result, in an economic situation like the one we find ourselves in today, would perhaps be deemed to be a recessionary kind of policy. But everybody seems to be labouring under this idea that we are in fact going to bounce back from the current economic situation, and surely if we are going to talk about significant conservation, the idea of revising Ontario Hydro's rate structure has to be paramount in terms of any realistic approach to this.

We talk about the financial side of a lot of these ideas. I was just talking to one of my colleagues behind us a minute ago about the idea that Ontario Hydro spent so much money and put forward so many arguments for people switching over to electricity and building their houses in this all-electric fashion in the 1970s and early 1980s, that

Hydro and the government of this province, because the government of this province has in fact had the capability of guiding Ontario Hydro for some time, have a moral obligation to, I would say without even the delay of the length of time these committee hearings are taking and that the legislation will take to be put through, start working on this right away and to come up with a switchover program.

With regard to that switchover program, I do not think we can look at it as being simply the option between natural gas, high-efficiency oil and electricity. We have to start looking at renewable energy alternatives. As long as we continue to think in outmoded thought processes, we are going to get outmoded technologies. We heard from the Premier of this province last week that we are in this kind of threshold situation, that we are in a significantly troubled situation.

Chuck a moment ago talked about the job creation potential for solar hot water heating programs. But the job-creating potential for all energy conservation—and I am sure you have heard this and you will be hearing it constantly throughout the process of these hearings—is astronomical. It could just be the way of moving Ontario out of the economic doldrums that we find ourselves in and moving the province in a direction that would be desirable and in a direction that would get people back to work and working, as we were saying, in community-based, decentralized industries that would provide real long-term environmentally benign employment.

A job creation thing is something that I do not think can be stressed enough. There have been so many studies done, studies that were presented to the Porter commission hearings back in the 1970s. Yes, the Porter commission—right. It actually happened, and there were some recommendations that came out of those hearings that were right in the 1970s and they are even right in the 1990s.

Why is it that we have to go through this kind of process to bring Ontario Hydro to heel or to change energy policies in this province? When the government can do things like pass a budget that involves the expenditure of hundreds of billions of dollars for this province, that essentially goes through the House and gets a vote at one point or another either in whole or divided into parts, why do we have to pacify organizations like the Municipal Electric Association and Ontario Hydro by going through this sort of process when many of us see the answers that are required as being so self-evident? The answers are there. They have been there for two decades, and yet we are going through this process that is superfluous. Let's get down to it, folks. The answers, as I said, are there. Let's implement them and get on with the job.

**Mr McGuinty:** Mr Dundas, I have really enjoyed your presentation. I am not sure I am quite prepared to embrace this Bill 118 to the same degree that you appear to be. One of the concerns I have is to ensure that ratepayers' interests are placed first and foremost. I believe the average ratepayer is concerned about costs and, not unlike everyone else today, is concerned about things that harm the environment. There is a tremendous amount of goodwill there to ensure that we put into place measures that will effectively curtail harm being caused to the environment.

But I am also suspicious of politicians, as a ratepayer. I am suspicious of governments. Yet it may be today, Mr Dundas, that you agree with what this government happens to be doing. We are going to give governments—not just this government, all governments—power from here on in apparently to deal with Ontario Hydro. It may be that in years to come another government, with a different policy, does something different which is going to cause harm to me, a ratepayer. I am wondering if we should be embracing this without reservation in the manner you appear to suggest.

**Mr Dundas:** I probably should clarify that in some respects. First of all, I think there are many shortcomings to this legislation. If we wanted to get into an analysis of the way parliamentary democracy operates and has operated for the last couple of hundred years, and more specifically of the way it operates in Ontario and has operated here for the last four or five decades, I think that would be an interesting discussion and probably a better reason for around-the-province hearings than minor changes to the Energy Act in the province.

I think you are right, of course. My scepticism about the whole accountability aspect of this legislation is based on that. First, I do not think we are talking about enough accountability, and I am not sure it is real accountability in a sense. I maintain that Ontario Hydro has been in a position where it could be influenced or directed by ministers of Energy for some time anyway and that we are not really going that much further with what we are talking about.

**Mr McGuinty:** That is a good point.

**Mr Jordan:** Thank you, Mr Dundas. Just to follow up on my colleague's question, I believe you mentioned that we cannot any longer allow subdivisions to be planned and houses set in the manner that has been going on in the past and that this should be written into legislation. Would you like to enlarge on that?

1420

**Mr Dundas:** Yes. I am not exactly up to date on my right-to-sun legislation. It was several years ago when I was working more directly in this field. But I know that a number of municipal jurisdictions, particularly in the United States, have right-to-sun legislation where houses that are built have to be oriented in such a way as to obtain maximum what we term "passive solar gain," and that other buildings cannot be built in such a way that they detract from or block sun.

That in fact has been a case in point along this very coastline or waterfront that we are on right now where there have been complaints about the bigger buildings along here and ones that were planned for the piece of land immediately to the east of us here, or west. One of the reasons they were opposed was that they would block off the sun from older houses along the streets just to the north, but there is no legislation to that effect in Kingston, for instance. I think it should be there.

I refer back to Charles's comments on the viability of solar hot water heating technology which is there. That must not be blocked off, so that anybody who wants to install a solar hot water heater 10 years down the road will

not be penalized by the fact that they have a 25-storey high-rise apartment building sitting in front of them that was built within the last four or five years. Right-to-sun legislation, as it is written in many American states and many American municipalities, I think is an absolute necessity in Ontario.

**Mr Huget:** The Ministry of Energy works with municipalities in terms of designing new subdivisions and the placement of houses and the placement of those subdivisions to capitalize on that issue, but I guess what you are saying is conservation is not limited to fuel switching. There are some big picture things we need to look at. I have listened with interest to what you have said here. Do you have any other suggestions in terms of what we can do around the conservation issue?

**Mr Dundas:** The sort of wholesale energy auditing of housing across the province and retrofitting of the existing housing stock would—I know you are asking me so this could be on the record, but it almost seems facile in a way, because these are things that seem so blatantly obvious. Why are we even talking about them?

I know Hydro now is giving a rebate program to people to install better quality windows in housing. We did retrofitting of houses in the Brockville-Prescott area in 1977-78 and went around and told people how to insulate their refrigerators so that they would get better power usage, better efficiency out of a household refrigerator by making a styrofoam box for their refrigerator, which may seem silly in one sense, and yet your refrigerator is the one appliance in the house that uses the most electricity on a year-by-year basis.

You can cut that usage down by a very significant amount by some very low cost retrofitting schemes, and those kinds of things built into the existing housing stock would provide countless thousands of jobs and would free up energy, the old conservation freeing up of energy that is clean, that is cheap, and that in some significant way puts the power back into the hands of the home owners, of the consumers.

They can make some of the choices that are there and just feel they have some of the power, which is one of the problems with Ontario Hydro. Its immensity and the way it has dominated the energy picture in Ontario for so many years has completely taken away the idea of energy independence from the individual in this province, and that is a significant kind of psychological barrier we have to overcome and get back into the minds of the people of Ontario.

**The Chair:** Mr Dundas, thank you for your participation this afternoon. I trust you will be keeping in touch.

#### KINGSTON PUBLIC UTILITIES COMMISSION

**The Chair:** The next participant is the Kingston Public Utilities Commission. We welcomed Mr Good. We should also welcome Marion McKenna, who is the vice-chair of the public utilities commission. I do not know if she is going to come up here and sit down with you.

**Ms McKenna:** I am fine, thank you.

**The Chair:** Come up here and sit down. We may have questions of you.

**Ms McKenna:** I may not know the answers.

**Mr Good:** Thank you, Mr Chairman. We were informed on December 11 that we would make a presentation today and then we found out later that we would not, but now it is back on again. Mr Gord Jarvis is our general manager, and very knowledgeable on the subject.

**The Chair:** That, sir, will confirm what a whole lot of people have thought about government for a long time, but we are glad that we finally got you here.

**Mr Good:** Good, and I am glad we are here, and I am glad the general manager is here, because he has a lot of knowledge on the subject we are speaking of today. It will be an oral presentation, but if you wish, for you and yours, I am sure he would see that you get a written presentation at a later date. Without further ado, Mr Gord Jarvis, our manager of the Kingston Public Utilities Commission.

**Mr Jarvis:** I apologize for my lack of preparedness as a result of having walked in the door. What I would like to do is take a few moments to make the committee aware of an opportunity Kingston provides to the province.

As has already been mentioned, Kingston is the only jurisdiction that has a gas utility and an electric utility under the same roof. As a result, in looking at Bill 118, we see pros and cons. We have similar concerns to our electrical partners with regard to the uncertainty the bill brings forward, and at the same time it appears to offer opportunities on the gas side.

When I listen to the proceedings and as I follow this whole issue or watch this whole issue unravel, I see that the concerns in most cases are associated with a level of uncertainty. We are uncertain as to what these changes will mean, and therefore those who oppose the bill are opposed because we do not know what may happen, and the devil we know is often easier to deal with than the devil we do not.

What Kingston did is that we approached Ontario Hydro with the offer that we would use Kingston as a test, to bring gas, Hydro and government together on neutral ground and try to not only confirm some of the impacts many of us believe will happen, but at the same time identify what other impacts are associated with a major fuel-switching program on a community level. I think we would all agree that it is time integrated resource planning becomes a part of life, and where I believe we can have the greatest impact in integrated resource planning is at the municipal level.

We therefore as Kingston offer ourselves, the two utilities, as an opportunity to test the impact of significant fuel switching. We believe that those who are opposed to the bill and the ramifications of fuel switching would then either have the data they need to support their opinions or vice versa, and at the same time we would have an opportunity, as would the government and the gas users and electricity users, to identify impacts we are not currently aware of when you start looking at significant fuel switching at a municipal level.

That is the basis of my presentation. I would entertain any questions.

1430

**Mr Jordan:** Thank you, sir, for your interesting introduction to your understanding of the bill and its effect on your commission. I am particularly interested in that you do have the only utilities in the province, I believe, that manage both gas and electric. How long ago was it that you amalgamated the two?

**Mr Jarvis:** The two have been together I believe for 77 years.

**Mr Jordan:** Really. Could you list three major advantages of that?

**Mr Jarvis:** One of the major advantages I see is that as an organization, like most public utilities, we believe we are there to serve the community. I have worked in the past for solely electric utilities, and the difficulty in working in that environment is that you are charged, for instance, as a general manager, to do the best you can with regard to electricity, the organization you have been charged with serving. The organization I now work for has both the electric and gas, and we are therefore in the enviable position of being able to make a decision with regard to gas or electricity and recommend to our customer either/or, depending on the potential benefit to not only him but the community. Our hands are not tied like a solely electric utility. They see that if they are serving their customers, then potentially allowing gas utilities to come in and erode their revenue base, is that truly what is best for the community and the customer, when they know themselves it certainly is not what is best for the organization, and how do you rationalize those kinds of things as a management group? We do not have to do that.

**Mr Jordan:** Could you go that other step? How do I rationalize not only managing the electrical utility? How am I not only going to rationalize the shift of my energy to another market, but also going to subsidize that shift?

**Mr Jarvis:** I think the only correct way to rationalize it is that in that position, you are there to serve the community. I think one of the things we often forget in utilities is that we are not only there to serve the user, we are there to serve the community. Although in electricity it is often the same—the taxpayer in Ontario and the electric customer are basically the same; the taxpayer and the electrical customer in this city are basically the same—there are some differences. We are there to serve the public, and therefore we need to know and we need to have the right information to bring ourselves to that rationale.

If I am solely running an electric utility and the only impacts I can see are impacts that are negative for the electric utility, how then can I make a recommendation to my community to do other than what we have done in the past? However, if you can show me the way, show me the light and show me that there are for sure positive impacts on this community, how then can I say it is a bad thing? I cannot.

**The Chair:** Mr Huget.

**Mr Huget:** I will defer to Mr Wilson.

**Mr G. Wilson:** Thanks. Nice to meet you again here, Gord. I am pleased to hear another submission on behalf

of the utility to go after this fuel substitution. As you mentioned, Kingston has had both gas and electricity for a number of years now and wants to show leadership again in this issue, perhaps before the amendments are passed.

I was wondering, from what you have heard this afternoon, whether you would think there are other directions this could go, fuel substitution in the broader sense that Bill 118 allows. Even before the amendments were suggested I think you had the idea of substituting gas for electricity, because of course you manage both, but what about some of the things you have heard today with, say, the solar water heaters? Can you see getting involved in a program like that?

**Mr Jarvis:** I think as our utility evolves we are starting to see ourselves more as suppliers of heat, for instance, which would mean that if we continue to evolve as we are now, if solar energy were a more practical solution, then it would be something our organization would have to become involved in and we would strongly support. At this point the basis of our decision-making is that when we compare what it costs our customer to use electricity in hot water heating, for instance, with what it costs to do it with gas, then we feel we are quite safe in making a recommendation that he switch. If you were to show me figures that the solar heating of water were more cost-effective, then I would have to say that our organization would start to look at that as one of its businesses.

**Mr G. Wilson:** What about in your budget? Have you got part of that devoted to promotion of conservation?

**Mr Jarvis:** Our organization is at this point similar to other gas utilities across the province. We are trying to provide incentives for the use of gas over electricity. The one difference between ourselves and other gas utilities is that we are actually trying to convince our customer to do something and it is done for him. We are not looking to take him away or send him someplace else.

When we look at the overall impact on Kingston, I can make no other recommendation to our commission than that as many customers and as much load as we can convert from electricity to gas would be a positive move for this community, for the simple fact that we have both sides of the equation. Any negative impact on the electrical side is going to be replaced with a positive impact on the gas side. Because no funds leave the community with regard to that change, we know it is positive for the community.

**Mr G. Wilson:** I guess I was just thinking about some part of your program taking an active position with regard to other forms of substitution when you take into account the larger issue of renewable energy, for instance, being so much more beneficial to the environment and to the taxpayer in the long run. Is that kind of educational program something you could see the public utility commission getting into?

**Mr Jarvis:** At this point, as a utility serving this community, we are there to do whatever we can to improve not only the quality of life in this community but the economics. If you were to tell me tomorrow that I could install a solar water tank for \$250 which would give that individual hot water for 20 years at no operating cost, then I think we

would be very remiss in our position not to be recommending that to our customers, regardless of the impact it had on my position, knowing I may no longer be in the gas business some time after that.

**Mr Klopp:** I found your presentation to be very interesting because you have shown that you are in the business of electricity and your business says, "If I go to my bosses and tell them I'm telling people to get off electricity, it's damn scary." Groups have come in who have actually talked against the Municipal Electric Association and it seemed like quite a slap. I appreciate your openness to show the taxpayers the point that ratepayers are also part of the community. Your attitude exemplifies your talent, because as you have pointed out, "I might be out of this job, but if it's good for the system, I'll become a person selling solar heat." I appreciate your comments. It really opens my mind on the whole issue.

1440

**Mr Cleary:** Thank you for your presentation. You talk about "our area." Is your area just the city of Kingston or do you go out into the townships too and supply service?

**Mr Jarvis:** As far as gas goes, we only serve the city of Kingston. As for electricity, we move out a little way. In water, we are out a little way. In transit, we are out a whole lot. But as far as gas goes, we only serve the city of Kingston.

**Mr Cleary:** The other thing you mentioned, and Mr Jordan has brought it up many times, is that you support conservation. Do you support the conservation program of the two lightbulbs to every household in the province?

**Mr Jarvis:** In the program we offered Ontario Hydro, we suggested that as a test we would try to switch everybody in Kingston from the electric tank to the gas tank. We felt we could do that at a cost of \$700 a kilowatt. When I looked at the lightbulb program, they spent \$7.5 million to potentially convert 5.5 megawatts. I felt the offer we made was more attractive.

The one thing I forgot to mention is that some of the information the potential test could offer is the level of uncertainty. We still do not know how many customers out there potentially would switch from electricity to gas or to some other form of fuel. I tell you, we have people in this community who would not switch to gas if we gave it to them. Without tests such as this providing more certainty to the level of uncertainty we have, we may be making decisions for the future that are unattainable.

To answer your question, I felt my deal was better than the lightbulbs.

**Mr McGuinty:** Tell me a bit more about this arrangement you have whereby you can operate both a gas utility and an electric utility under the same roof. What governs it? Is there some kind of contract or is there some memorandum in place which dictates how you deal with both ends of it?

**Mr Jarvis:** We operate the gas utility in the same way. In our case, actually, we have gas, hydro, transit and water. We run the gas utility under the same mandate as we would run the electric utility and the water utility. Most utilities across the province have electric and water or

some combination of that. We run the gas utility with the same mandate.

**Mr McGuinty:** Would income from your gas sales benefit me as an electrical ratepayer?

**Mr Jarvis:** Yes, because the gas sales at this point are being used to subsidize transit. Therefore as a taxpayer in this community, even if you do not use gas, you benefit from the sale of gas.

**Mr McGuinty:** You do not benefit me directly, though, in my capacity as a ratepayer for using electricity.

**Mr Jarvis:** At this point they do not directly subsidize the electric side.

**Mr McGuinty:** Could they?

**Mr Jarvis:** If it were approved by Ontario Hydro, yes, they could.

**Mr McGuinty:** Do you see a broader application for this province-wide? Before you answer that, I will tell you what my ratepayers are telling me. They are concerned that Ontario Hydro at the present time, in terms of the number of people working there, the size of the debt and the salaries we are paying the people there, they are all too big. I think if I were to tell them, "Listen, we're going to broaden the mandate to incorporate some kind of a gas utility function," they would get rather excited. Keeping that in mind, what do you think about having a broader application?

**Mr Jarvis:** Ontario Hydro gas and electricity?

**Mr McGuinty:** Yes.

**Mr Jarvis:** I guess my response would have to be at this time that I would want to see more with regard to how you plan to set up that mandate. Electric utilities across the province have always had some difficulty in dealing with the larger utility and with some of their mandates. For you to expand its mandate at this time so that it was clearly a province-wide gas utility, I would have some concerns.

**Mr McGuinty:** I think you have said this, but I just wanted you to be a bit more clear on it. I think you have indicated already that there are some grave doubts or just a lack of solid information that would convince most public utility commissions that the fuel-switching idea is a good one for ratepayers, particularly for those ratepayers who are not going to switch to gas. If you were advising me as a ratepayer within your jurisdiction and you did not offer a gas alternative in the way that you do here, what would you tell me? Is Bill 118 a good thing for me?

**Mr Jarvis:** I would have to tell you I do not know, because I do not know what those impacts are. I know there will be impacts on the electric utility. The impact to the whole community at this point I do not know. We are talking about a community that does not have a combined electric and gas utility. We have an electric utility and we have a Consumers' or a Union involved in providing gas. Therefore moving those customers from an electric scenario to a gas scenario may show them short-term gains because it is obvious they can heat their houses for half of what they are heating them with electricity. But the long-term ramifications associated with the impacts on that electric utility and what they may then be paying for electricity in the

future are unknown at this time. Therefore without some form of study, as we offer, I put to you that we do not know what those impacts are or how far-reaching the result will be.

**The Chair:** Thank you for coming here today and for responding as candidly as you have to the questions put to you. We appreciate it and I trust that we will be keeping in touch.

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#### KINGSTON ENVIRONMENTAL ACTION PROJECT

**The Chair:** The next presenter is the Kingston Environmental Action Project. I remind people who have just come in that there is coffee, tea and grown-in-Ontario apple juice. Please make yourselves at home. Sir, tell us who you are and go ahead with what you have to tell us.

**Mr Pike:** Good afternoon, my name is Stuart Pike. I represent the Kingston Environmental Action Project. I would like first of all to thank the members of the committee for allowing me this opportunity to appear before you today. This committee speaks well for the improved openness in government in recent years. The arguments I intend to make today will for the most part be of a non-technical nature. I will however refer to studies and technical data prepared for these hearings. But, by and large, I hope to discuss how this bill will affect the average electrical consumer in the greater Kingston area. I also hope to provide you with some understanding of our desires and commitment to the initiatives presented in this bill.

The Kingston Environmental Action Project acts as a conduit for the environmental concerns and demand for action of people in Kingston and the surrounding areas, a population of approximately 165,000. When people in the greater Kingston area want answers or action regarding environmental reform, more often than not the people they contact are with the Kingston Environmental Action Project.

On behalf of the Kingston Environmental Action Project, I am here today to speak in favour of Bill 118. At KEAP our business is our environment and the challenge of promoting technologies and practices that will help reduce the level of environmental degradation that exists today. We have made great progress, primarily through the public education programs. That is what we believe the success of these new initiatives hinges upon. I will expand upon this later.

Although our focus is our environment, we may define it in broader terms than many people. Although it is true our motivation comes largely from work relating to our biological environment, we understand how the quality of our environment has direct ramifications on all aspects of our society, including the economy, productivity, social and ethical considerations. I will speak briefly on aspects of this bill, but will focus on the many environmental benefits.

The changes in board membership and size will, we believe, make Ontario Hydro more accountable to its customers, in essence, the population of Ontario. The increase in numbers can only broaden the scope of the board and make it more representative of the public it serves. The addition of the Deputy Minister of Energy is a move that will benefit Ontario Hydro with more direct input on

government policy. These changes are not a radical departure from past structures under other governments.

From our perspective the opportunities provided in this bill for fuel switching are the most progressive and offer the greatest benefit to society as a whole. I spend a great deal of time speaking to school and community groups. One complaint I hear again and again when talking about environmental reforms is the lack of choice. We are restricted in our choices with regard to the products we buy, our transportation options and our energy options. We must be provided with unbiased information on which service is the least damaging. The options must be competitively priced. First and foremost, we must have choice. This bill provides all of these options and more.

The benefits of fuel switching are readily apparent at first glance and become an even stronger argument in favour of Bill 118 as the different options are explored. The Passmore study shows the great extent of savings, both in terms of air emissions and cost to the consumers. If in 1975 we had passed this bill and the structures for fuel switching were in place, we could have reduced emissions of carbon dioxide by as much as 128 million tonnes, sulphur dioxide by 1,406,000 tonnes and nitrogen oxide by 399,000 tonnes. At the same time, savings to the householders would have been \$3.94 billion.

These figures from the report from Passmore Associates, entitled *The Economic and Environmental Implications of Fuel Shifting*, could be considered the top-end savings of best-case scenario. But the point is clear: We must learn from past mistakes. In the past, we made difficult decisions based on the best available information. It would be foolish to say we are not smarter now. In the future, we may look back on the debate over Bill 118 and say we could have been more aggressive in the programs, but to resist the path that we know is less damaging is to ensure that we repeat our mistakes.

The city of Kingston stands to gain in all aspects of this bill. With a solid infrastructure for natural gas already in place which is controlled by our PUC, the conversion to natural gas for this municipality would ensure economic as well as environmental rewards. I am glad to see that Mr Jarvis had an opportunity to appear before this committee today. I believe that Mr Jarvis, the manager of the Kingston PUC, had hoped that Kingston could be used as a test case to determine the number of households that would actually take advantage of the loan incentives to switch fuels.

There may be some reluctance by some people to use natural gas. Again, the possible problems stem from the long history of Ontario Hydro promoting electricity as the clean, safe and efficient fuel. As I mentioned earlier, the need for a comprehensive public education campaign should not be overlooked. With the increased level of sophistication and knowledge of the average consumer about environmental issues, a strong case can be made and met with much more success than a similar campaign from, say, a decade ago.

The Passmore study looks at only two options, considering only natural gas and oil. If we consider the options available to those not in an area serviced by natural gas, it

brings in options with even greater emission reductions and fuel savings.

The technology of solar domestic water heaters is one that provides for substantial savings in energy cost and consumption. With water heating accounting for up to 40% of a home's energy requirements, it is one area that we feel those not able to benefit from natural gas should be encouraged to pursue.

There is a domestic solar water heater available right here in Kingston that offers considerable savings and a short payback time. As an Ontario Hydro customer with no access to natural gas, who in the eyes of the Municipal Electric Association would be disadvantaged by this bill, I find the prospect of the rate of payback and substantially reduced electrical consumption very attractive.

The electrical rates may go up in the short term, but I would have the benefit of reduced electrical consumption to offset any increase and I believe I would receive a net reduction in total cost for energy, all this with the added benefit of reducing emissions of carbon dioxide, sulphur dioxide and nitrogen oxide.

Cleaner air, reduced acid rain and lessening the global warming potential are goals that all Canadians would endorse, but with the added benefit of reduced electricity costs it makes a very compelling argument in favour of Bill 118, all this from the perspective of someone who in the eyes of some groups would be the big loser in this initiative.

Perhaps we can look at the experience of others. Hydro-Québec has offered non-taxable subsidies for conversion to dual-energy heating systems for 10 years. With the new dual-energy program, Hydro-Québec intends to make this efficient and cost-effective method of home heating accessible to a greater number of customers.

This program offers subsidies for conversion of single-family and multi-unit dwellings in amounts up to \$3,900. Bill 118 is much more conservative than this, offering loans, not subsidies, and with severe restrictions on the types of dwellings that would qualify. To take full advantage of electrical savings to be realized, the definition of homes that qualify should be broadened and the benefit, as stated in the Passmore study, could be double the current estimates.

In June 1988 the World Conference on the Changing Atmosphere was held in Toronto and sponsored by the Canadian government. One of the recommendations from that conference was to reduce global carbon emissions by 20% by the year 2005. It was a substantial step forward, but making that statement in itself does not make it so.

It is initiatives such as Bill 118 that put into action the words and promise of the WCCA, the Clean Air Act in the United States and the recommendations of the Brundtland report. Without action the words are meaningless. We have an opportunity here today, in the province with the highest energy consumption, to make a real and concrete step on the road to reduced consumption, reduced emissions and environmental sustainability.

I am sure the members of the committee are familiar with this report by the House of Commons committee. This is part two of our Changing Atmosphere series, and it

is the challenge of global warming. I would just like to point out the recommendations. I believe this is from October 1990. The first recommendation from this committee is:

"Given that human-sourced carbon dioxide emissions are the principal contributors to increasing atmospheric levels of the greenhouse gases and given that society's use of energy is the largest factor in the CO<sub>2</sub> generation, the committee concludes that Ontario energy policymaking must have as its most immediate focus the more efficient and conserving use of energy. Coupled with the more efficient use of energy is the need for fuel substitution away from high-carbon fuels, and for the commercial availability of technologies for exploiting carbon-based fuels with less environmental impact."

The Worldwatch Institute in Washington has called this the turnaround decade. When our Prime Minister speaks at the next United Nations Conference on Environment and Development later this year, I hope he can speak with pride about the progressive initiatives taken by Ontario.

I urge you and your colleagues to support Bill 118.

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**Mr Johnson:** I would like to ask you about something to which you did not refer. I would like to commend you, Mr Pike, on an excellent presentation. One thing you did not mention was the power-at-cost issue. Being an environmentalist I would like to hear your opinion. I know that when we look at nuclear generation, the cost of building that monster is certainly one of the things that is taken into consideration. It is probably the major cost, but there are costs that go beyond that, as I am sure you are aware. There are the costs of mining the uranium, the tailings.

We know that in northern Ontario there are some very tragic circumstances that we as a government are having to look at. I was wondering if you think that under power at cost we should not take into consideration the cost of cleaning up the environment that, as we know, will be costly and certainly is a very serious situation. I was wondering if you could offer an opinion on that.

**Mr Pike:** Absolutely. This is a fundamental flaw perhaps in our economic structure, that we do not pay the full cost for the products we consume. In all aspects of our society, economists look at costs of disposal, costs of remedial cleanup plans and things like that as externalities. It is not considered in the pricing factor of the products we consume. If we were to factor in those costs, it would simply put the cost of energy, the way we have been producing energy in the past years, out of reach of most consumers. My feeling is that nuclear power has unfortunately ignored the total cost of production.

**Mr Johnson:** Do you think we have been paying for rates at power at cost, or have we been subsidizing in some way? The other thing we cannot forget of course is the fact that those who pay hydro costs in Ontario are indeed taxpayers. They pay taxes as well as paying for hydro. Ultimately, we all pay in Ontario. Do you think we have been paying the right cost for hydro or do you think it has been subsidized?

**Mr Pike:** We certainly have been paying the cost one way or the other. The problem I think is that the cost has

been hidden in the form of a subsidy, in that it comes through our taxes rather than directly through our cost for energy. If we were required to pay the true cost of our energy, there would be a much greater initiative for people to conserve this very costly form of energy.

**Mr McGuinty:** Thanks very much for your presentation, Mr Pike. I think that very few people would argue that fuel switching is not a good idea. The concern is, who is going to pay for it? Fuel switching is also something that is happening all the time. We have been told by people in the natural gas utility business that people are switching over to them at an ever-increasing rate. Why do you think the government has to get involved now and to weigh in and to subsidize people switching off electric heating so they can buy natural gas, with the distinct possibility that as a result rates are going to go up for some people who do not have access to natural gas, for instance?

**Mr Pike:** I think there are options available for everyone. There are options available even though they are not tied into the natural gas network, either through high-efficiency oil, for instance, or also through solar applications. If a person in a rural area, such as I, had the opportunity or the incentive to make use of a domestic solar water heating system, the cost savings that he would find on his electrical bill would offset the increase in rates that would occur. I think Ontario Hydro should be in the business of promoting other fuels simply because the corporation has been promoting electricity, and only electricity, as an economical, safe and efficient fuel for such a number of years. We do need a program to sort of offset that mistaken impression which I believe is in the mind of the average consumer.

**Mr McGuinty:** Some people would argue that Ontario Hydro has, perhaps unwittingly, been promoting fuel substitution, and it has been doing that very effectively, simply through its rates. Some people argue that if you really want people to conserve, just up the rates. Then you are going to see people conserve. What do you think of that idea?

**Mr Pike:** That is very difficult, because there are many people who are in no position to pay substantially higher rates. If it were simply a matter of raising the rates and people would be, in that sense, forced to make other choices, they would be faced with higher rates as well as the capital costs of switching to other fuels. With an opportunity from Ontario Hydro for a loan to offset the cost of conversion, some opportunity for people to have a chance, without severe financial hardship, to convert to other fuels, then it would be made available to virtually everyone in the province.

**Mr Arnott:** Mr Pike, thank you. Just to follow up on Mr McGuinty's question, it is quite evident from your presentation that you support the efforts towards demand management of the present administration at Hydro and that you are very concerned about the high consumption levels of hydro in Ontario. Would you in fact support the government using the price of electricity as a means of governing demand for electricity?

**Mr Pike:** It would have to be within certain parameters. With our economy in dire straits as it is today, there

are certain levels at which people would not be able to take drastic or radical increases in the rate of hydro, but I do think that if we have the cost of energy representing closer to the truer cost, then it would offer people more of an incentive to switch to other fuels.

**Mr Arnott:** I guess my concern is if the projections of savings included in the update are mistaken and if 10 years or so from now we have a severe shortage of generating capacity, the farmers in my riding of Wellington will be forced to pay incredible rates for hydro and there will be no choice. That is one of the concerns I see happening coming out of this bill. How would you respond to that?

**Mr Pike:** My hope is that initiatives like Bill 118 will encourage people to move to other forms of energy. It also should be a real boost to the industry which is promoting alternative technologies. In 10 years I would hope that with a bill like this, those other opportunities would be in place.

**The Chair:** Mr Pike, the committee thanks you for taking the time to be here this afternoon. We have enjoyed your comments and your responses to the questions. Take care, sir.

DAVID HAHN

**The Chair:** The next participant is David Hahn. Mr Hahn, please seat yourself. You will have to raise your voice a bit. I suppose it is appropriate that we are competing with the forced-air heating system.

**Mr Hahn:** Good afternoon. I am here today to speak to you as an individual in support of the bill. I have been very concerned about the economic problems Ontario is facing. I have been a teacher of economics and resource geography, and most recently I have been involved in municipal government as a councillor and reeve of Bedford township in Frontenac county.

I guess it is obvious to us all that as a society in Ontario today we face a developing crisis of several dimensions. First it is an economic crisis, a crisis of productivity that is failing to increase as it needs to. Related to this is of course a fiscal crisis that the province of Ontario is now confronting as revenues decline. Second, we are widely perceived to be in an environmental crisis. We are not living off our natural resources in our environment in a fashion that is sustainable into the future. I believe there is also a social crisis developing from these other elements. There is increasing inequality and social tensions coming from the hard times we are experiencing.

I would like to briefly address the questions of inadequate productivity and environmentally sustainable patterns of resource use as they relate to the question of generation and use of electricity in Ontario. Provision of energy services is fundamental to the people of Ontario, both as producers and consumers, and it is imperative that we use energy in the most economical and sustainable fashion possible.

Demand management is the key to providing electricity economically. Measures to increase efficiency of use will reduce overall demand. Measures to promote load management, ie, to shift demand to off-peak times, will

permit fuller use of generating facilities. Both these directions should be readily pursuable under the current Ontario Hydro mandate.

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The third leg of demand management strategy, I suggest, must be the allocation of demand to the most appropriate fuel sources. The Ministry of Energy must provide direction here and Ontario Hydro's mandate must be enlarged to encompass encouragement of substitution of other sources of energy for electricity where they are appropriate.

Electricity costs are based on generation and transmission capacity required to supply the peaks of demand, not the volume of demand. There is in effect no practical large storage of electricity possible. Wood and fossil fuels are inherently storable and therefore production facilities need only be sized to produce the total volumes of fuel demanded. Most heat users create demand at times of peak usage of electricity. Home stoves particularly generate demand at peak times of electricity use. Water heating demand is similarly peaked. Space heating or cooling, while not producing daily peaks, produces seasonal peaks, adding to the big peaks in the winter and summer.

The point here is that anything which reduces peak time daily and seasonal demands for electricity reduces the need for construction of new generating and transmission facilities. To a very large extent, heating applications of electricity are responsible for these peaks. Heating applications of electricity are very readily substitutable by other fuels: natural gas, wood, solar, etc.

Since I have not heard everybody else here, I do not know if anybody else has given the example of Amory Lovins's famous quote—I am sure you must have heard it somewhere along the line—"Using electricity to heat a house is like using a chainsaw to cut butter." I did not put it in my text, but since I did not hear it today I thought I would throw it in.

If the construction of new facilities can be avoided, electricity rates would not rise as rapidly as they have in the last few years. Newly developed generating capacity has proved to be continuously more expensive than previously built capacity. This is probably also true of transmission capacity. Measures that reduce the need for new capability may therefore reduce the rate of increase in price, depending of course on the costs of the measures. Where capital costs form such a large part of the cost structure, it is not inevitable that rates will rise, even at the rate of general inflation. The large increases have been a result of creating expensive new capacity to generate and transmit to meet a perceived increase in demand.

Many other energy sources are cheaper than electricity for heat applications. A fuel-switching program, through the lowering of costs of energy in general and of electricity, should create a more rationally ordered, more efficient economy. In addition, there is a decentralization effect. The capital spending associated with electricity heating is weighted to large generation stations. Retrofitting of homes and businesses, on the other hand, to systems using other fuels to heat air, water and food will create employment located exactly where people live and work as well

as in the manufacturing centres for solar and gas water heaters: gas, oil and wood furnaces and gas stoves.

Thus my belief is that in order to increase the efficiency of use of resources, to increase productivity in general and to promote more long-term sustainable patterns of resource use, Ontario Hydro must be encouraged to switch consumers from electricity for heating applications to more appropriate energy sources.

That was the little thing I wrote out to present. I wonder if I could anticipate some of the questions or respond, from perhaps a different perspective, to some of the questions that were raised previously. I certainly am concerned about environmental impacts, but I have chosen to speak more about economic impacts and economic implications of what we are dealing with here. I think the question of prices and cost is a very serious one.

If I could refer back to your question, Mr Arnott, I am a farmer and the child of a dairy farmer. I live in a rural riding. I have been the reeve of a rural riding. I am very sensitive to that question of appropriate costs of electricity. It strikes me that there are several things that should be brought to bear on this question.

First is the question of externalities of costs. That has been raised before. There are many costs in the generation of electricity as we have done it in the past which are not taken into account in the cost structure. I think people have adequately discussed that already. But there is another aspect of the cost that I do not think people have adequately considered.

In the short time I have been listening here, we have not had people point out or remind us that we have a monopoly corporation that has monopoly powers over the generation, transmission and distribution of electricity in Ontario. One of the implications of its mandate to supply power at cost means that power is supplied at average cost of production. It is not supplied at the cost of new production in the new facilities that are required to meet the increasing demand that is created.

From an economics point of view, if you want, the rational distribution of resources in the society, this provides us with a bit of a dilemma. Either we are forced to argue that electricity should be sold at the actual cost of generation of the most recently built capacity—which would be the case in the oil industry or the natural gas industry, which are not complete monopolies. Otherwise you would not get any new capacity coming on stream if the price was not such that it would justify bringing new capacity in those fields of energy on stream. That is not the case with hydro. The new plants that we have been building are producing electricity that costs more to produce than the cost of the previous facilities have been producing electricity at, so that gives us the question here of whether we are going to ensure rational decision-making among the customers, among the consumers of electricity. Are we going to argue that it should be priced at the replacement cost price or are we going to promote something else?

I think that because of the inherent public utility character of electricity—it is so fundamental to so many people, not just as consumers but also as producers; I am thinking of the farmers in many cases as well and, for that

matter, the industries too—I am inclined not to support a proposal to raise the prices to what they should actually be. But if you are not going to do that, then I think you have to argue that Ontario Hydro has to take measures which will give other incentives to people to switch to a pattern of energy use which is more rational.

That is why we need to have what this bill is proposing to do here. It is proposing to allow Ontario Hydro to encourage consumers to use other heat sources where the Ministry of Energy has determined that those other heat sources are more reasonably suited, both from the cost point of view and the environmental point of view. That was a thought I had in response to some of the questions that were raised around price and cost.

**Mr McGuinty:** One of the implications of switching to natural gas, which presumably would be the end result if this bill were to go through as drafted, would be the natural result of Hydro's new policy, which is going to look to long-term, it seems, natural-gas-fired generation. One of the implications there is that we may be, to a very large extent, giving up some of the independence we have had in the past in terms of generating our power in-house. We have nuclear or fossil-fired plants or hydraulic right here in Ontario. Does that raise any concerns in your mind about supply costs?

**Mr Hahn:** Not directly, because I think the in-house sources have not proven to be all that cost-reliable. In fact, where 20 or 30 years ago we were promised cheap nuclear energy for the foreseeable future, the nuclear energy option has proven to be increasingly more expensive as the plants do not live up to their potential.

I am very much a Canadian nationalist in the sense that I still think of myself as living in Canada. I think natural resources, such as natural gas and coal, that come from Alberta and the west, from within the country, are still very much in-house resources.

**Mr McGuinty:** The westerners, though, may not come to think that at some point.

**Mr Hahn:** Possibly. I think there is a serious concern about the question of the reliability of the other sources. There is lots of gas around, but it is certainly conceivable that prices might escalate. That is one of the things I am concerned about with respect to the new direction for Ontario Hydro, that it does promote renewable sources of energy which will have more predictable cost futures involved with them than something like natural gas would have.

1520

**Mr Cleary:** Thank you for your presentation. I was not quite sure when you started whether you were supporting the bill. I think you are leaning towards supporting it.

I myself live on a farm in a rural area. Many of my constituents live there too. One of my farmers brought in his bill the other day. This particular farmer happens to be a dairy farmer and has a cash crop. He probably crops 600 acres. He is selling his corn and barley at prices of 17 years ago. His hydro bill that he showed me was \$1,800 for a month. How can I promote this bill to him when he knows his hydro rate is going to go up some 44% over the next three years?

**Mr Hahn:** I think actually it is very easy to do that, because if we can do things with Ontario Hydro that will reduce the need for the construction of expensive new facilities and continue to use electricity generated at the facilities built 17 years ago, we can come closer to selling hydro at the prices it used to be at. One of the whole points to the argument I am trying to make is that by reducing the need for construction of more expensive new projects, it should be feasible to supply electricity more cheaply than it will be if we do not do something to prevent this extravagant new construction of big facilities.

**Mr Arnott:** Thank you, Mr Hahn, for addressing my question to one of the last witnesses. I listened very closely to your comments in that respect and I think you were talking about the unit cost of electricity being more expensive using future generating capacity or building new generating capacity as opposed to existing generating capacity. What I was wondering about was whether that particular witness, and I pose the same question to you directly, would favour further deviating from the power-at-cost principle in favour of actively using price of electricity to effectively manipulate demand?

**Mr Hahn:** I think we have to do something to manipulate demand so that demand will come more into line with the more rational, more sustainable use of energy sources. If we fail to do anything else, for example, if we fail to provide incentives, then I think we would have to use price. I would prefer to use something other than price as an incentive to see people shift from electricity to other energy sources, for heating applications in particular.

**Mr Arnott:** So would I. Thank you.

**Mr Jordan:** Thank you for your presentation and representing rural Ontario. I was concerned when you said that we were talking about power at cost, but in fact in your view we are talking about average cost of power. I am sure that, as reeve of your municipality, you certainly did not hit the taxpayer that year for the whole \$5 million or whatever it took to build a new firehall or whatever it might be. You amortized it over a number of years. What I am seeing from your comment is a graph like this for power rates.

**Mr Hahn:** Oh no, I am not quibbling. Contrary to how many of my colleagues complain about the debt structure, I really have no arguments about Ontario Hydro's debt structure. With my municipal background, I understand fully that if you have a major capital structure or capital expenditure, you amortize it over 40 years with a debenture that you put out. I do not have any problem with that. I am not referring to that aspect.

What I am saying is that the newest facilities to generate electricity have turned out to be very expensive. I realize I am sort of speaking ancient history if we are not going to have nuclear power any more, as has been decided, but nuclear power has been the most recent form of new facilities. They were very expensive, specifically compared to the hydraulic sources we had. If we had managed to keep the consumption of electricity down so low that we were able to use hydraulic facilities for the major amount

of our electricity, it would be a whole lot cheaper than the way we have switched to nuclear.

**Mr Jordan:** I hate to think what our unemployment rate would be.

**Mr Klopp:** Thank you for pointing out the fact that we do talk about average cost. I am not quibbling over it either, that we use average cost. But realize that it is only average cost and not really the cost of power, because we have had a lot of people come in here and say "cost of power" and their definition is bizarre. I do not know if they know about business. I am in business. I am a farmer too. I have a \$40,000 combine. I can say to you that this is my power at cost. My neighbour has a \$20,000 one; that is his power at cost. Both of us had better realize where we are coming from, though, and I am glad you pointed that out.

Could you expand a little bit? We have had this concern that two years from now, the lights might start going out and we are going to try to manipulate the price. I do not recall in Bill 118 that we are saying we are going to arbitrarily put the prices up. Have you read that in this bill?

**Mr Hahn:** I certainly have not seen that in the bill. I do not see there is any implication of that.

**Mr Klopp:** It is more about what you were talking about, that the onus is on advertising to get people to do other things so we can keep the plants we have, period.

**Mr Hahn:** There are two elements to it. One element is to allow the government through the Ministry of Energy to give a little more direction to Ontario Hydro. Ontario Hydro has operated within that mandate from the government, but this is obviously allowing more of a year-to-year intervention in the direction of Ontario Hydro. I think that is only appropriate, because it is not up to Ontario Hydro under its current mandate to make a judgement about how we are using electricity relative to other sources of energy for heating. It is up to the Ministry of Energy. In my mind, that is who should have the responsibility for making sure that as a society we develop a rational pattern of energy use. That is the first part, that the government should be able to direct. It seems fairly clear from a lot of things I am sure you have heard that it is inappropriate to be using electricity for heat applications.

**The Chair:** Thank you, Mr Hahn. We appreciate your interest and your willingness to come here this afternoon and be involved as you have been.

#### COUNTY OF LANARK ENVIRONMENTAL ACTION NETWORK

**The Chair:** Next we have the County of Lanark Environmental Action Network, which is acronymically known as CLEAN.

**Mr Willis:** Neat, is it not?

**The Chair:** I was going to say it was spiffy.

**Mr Willis:** I wish to thank the committee for this opportunity to make a presentation on behalf of the County of Lanark Environmental Action Network.

Where I come from, in the town of Perth, there meets regularly a group of citizens concerned over the welfare of our planet's environment. The people of this group unselfishly give much time, effort and money to stimulate con-

cern in the minds of others in the area. I am of that group. My contribution includes the occasional article for the local weekly newspaper.

As you might guess from the white colour of my hair and its diminishing quantity, I am not far out on the radical left end of the political or social spectrum. Indeed, the fact that the Rideau Valley Field Naturalists have me as their treasurer, the Horticultural Society has me as its vice-president and the Tay Valley Ski Club has me as its president confirms that I am definitely midstream. However, I am sufficiently stirred up by the protagonists and the antagonists of Bill 118 that I am freely giving more time, effort and money to this, our group's presentation.

Forty-two years ago, I was awarded a doctor of philosophy degree from the University of Toronto. The subject of my dissertation was freedom and authority in the high school. That background makes me very appreciative of these across-the-province hearings into a political and economic issue of considerable magnitude.

The process has the appearance of the very essence of democracy. I am sure you members of the committee, spending your time and effort and the taxpayers' money, feel exhilarated by these contacts with the grass roots of society. I am not so naïve as to think you are not all bound pretty rigidly by party lines, but I hope if you do find interesting and differing views prevailing among your petitioners, elements of your stands on Bill 118 may be modified accordingly.

CLEAN supports Bill 118. Although not fully conversant with the administrative details of Ontario Hydro's mandate, we do feel Hydro's history has included moves that have been less than socially honest, open and honourable. Bill 118 is designed to reduce those kinds of moves and therefore has our support.

The proposal for changes in the wording of section 56 also wins our fervent support. It is my understanding that Ontario Hydro approves of Bill 118. I know the Municipal Electric Association opposes elements of Bill 118. I do wish I had been a mouse in the corner of every room in which separate municipal electrical utilities discussed the implications of Bill 118 for their own purposes. I cannot help but feel that a significant proportion of the individual utilities breathed a sigh of relief over the potential reduction in demand for the extension of their distribution facilities, just as the recent radical change in the direction of Ontario Hydro's expansion plans has enabled it to breathe a huge sigh of relief.

It is easy to understand some reasons why the MEA opposes Bill 118. Those members of the MEA who have recently invested large sums in extended infrastructure, anticipating great increases in Hydro's supply of energy, will suffer a temporary setback over the short-term loss of energy sales due to fuel switching. But careful management will enable them, I am sure, to survive. Moreover, the MEA's policy is not to oppose fuel switching but to support it.

1530

Let me read from a very recent, end of December, letter to the Perth Courier from Mr Marv LeClair, chairman of the MEA:

"The government has committed Ontario Hydro to full, meaningful consultation with the MEA and its member utilities on fuel switching in order that the MEA can ensure that these programs are designed and implemented with the best interests of the Ontario energy consumers in mind."

I wish to emphasize that last bit, "with the best interests of the Ontario energy consumers in mind." There has been some discussion concerning the utilities and the consumers, and I have seen a conflict of interest or a lack of consistency of concern there.

This letter makes it very clear that the MEA is as ready as Hydro to arrange fuel switching. It sees, as Hydro does, that fuel switching can reduce electricity demand by much more than the equivalent of two maximum-efficiency Darlington nuclear reactor installations. However, MEA's chairman thinks the part of Bill 118 regarding section 56 would be both unnecessary and unfair. Let me quote again from Mr LeClair's letter:

"Bill 118 would allow Ontario Hydro for the first time to provide financial subsidies to people who switch from electric to other fuels. MEA has argued that such subsidies would be both unnecessary and unfair."

One of your committee members has also been quoted on this matter to this effect:

"The minister has very definitely stated that he is not in favour of funding social programs through hydro bills to the people of Ontario, yet there is an amendment to the Power Corporation Act which gives the Minister of Energy the power to issue directives to do just that."

Let me make three small points here:

1. Bill 118 does not propel Hydro into loaning money or providing incentives. It merely removes the restrictions against such actions. If Ontario Hydro, in close consultation with the MEA and the government, deems that moves in such directions would save money, Bill 118 would merely open this route to Hydro.

2. Residential, commercial and industrial customers must be persuaded to switch away from heating by electricity. This is a major element in Hydro's salvation. A penny saved is a penny earned and Hydro stands to save millions through fuel switching. If it can save \$10 million by spending \$1 million, that is a good deal and hardly constitutes a social program.

3. Some people would say that Ontario Hydro is already into social programs in a small way, even before Bill 118 is passed. In the old-fashioned wisdom that a carrot is often more effective than a stick, Hydro is trying to arouse its domestic consumers to the dire need for conservation by giving free insulation of hot water pipes and tanks, shower heads and lightbulbs. I do not know what kind of carrot it has used with its commercial and industrial clients.

Unnecessary and unfair? Let us return to Mr LeClair's statement that subsidies would be both unnecessary and unfair. Our group, CLEAN, feels there is a middle ground which accepts Bill 118 and also allays the apprehensions of both gentlemen quoted.

In the first place, let us examine Mr LeClair's word "subsidies." Hydro's recent practice of giving things away leads us to think the word "subsidies" means giveaways,

but that is not the case. The word "subsidies" includes loans. Would the MEA react strongly against a proposal by Hydro to provide its domestic clients with interest-paying loans on, say, a 50-50 basis to refit houses for fuel switching "to the greatest energy conservation in the circumstances"? That is a quote from Bill 118. Realizing that Hydro needs \$50,000 worth of capacity to heat each house electrically and that it must manage or reduce its demand drastically, would the MEA oppose such loans? Mr LeClair says "encourage." He did not use such a word as "precipitate." The switching has to be done soon—fast.

A young family I know has four boys between the ages of four and 11. The father works in a local plant at below supervisory level. The family lives in a small house, probably one built in quantity for veterans after the last world war. The family and thousands more like it would need more than mere difference in fuel prices to enable them to switch. They would need a loan at Hydro's low rate of interest to meet the large upfront payment needed for a house refit. Why could Hydro not borrow for such a purpose as easily as for the purpose of building a nuclear reactor? Think too of the amount of employment which would result and of how widely that employment would spread.

A landlord in Peterborough rents electrically heated apartments to university students. Two such students in a small apartment pay \$150 a month for electricity alone. The landlord's electricity costs are covered by the renters. There is very little market force persuading him to switch.

We are sure there are many kinds of cases where market forces would be less than enough, unless electricity rates rise drastically, to precipitate the degree and rapidity of switching that is necessary. CLEAN therefore believes that loans for switching the maximum possible improvement in energy efficiency are necessary. Moreover, if we are speaking of interest-paying loans and not the broader subsidies, we believe that many, if not most, of the MEA members would agree.

Therefore, members of the committee, CLEAN urges you to support the part of Bill 118 which permits Hydro to make loans because for many customers they are necessary.

Subsidies unfair: The other argument against subsidies which the chairman of the MEA uses is this, and I quote, "They are unfair because these subsidies would be paid by electricity consumers, even if they live in a part of Ontario that does not have access to natural gas."

We would like to raise two questions about this statement. When I was driving to Iroquois Falls last Labour Day a natural gas pipeline was being laid along Highway 11 and at that time was past Kirkland Lake. Sault Ste Marie has or will have natural gas this year. If places as remote in Ontario as those have natural gas, can many others be far behind? I think not, particularly when the push for fuel switching really gets up a head of steam.

Moreover, there must be something to the recent rumour that electricity rates will rise 47% in the next few years. Just think of the fire that rise would set under the gas pipeline companies. Soon the only people who do not have

access to natural gas will be so far out in the woods that they will be heating with wood anyway.

Our other question is, what is fair? Young boys when fighting often declare, "That's not fair." Even boxing matches judged by referees leave supporters for one side declaring decisions unfair. People buying poorly insulated, electrically heated houses in low-economic-level developments feel it is unfair to have to pay so much for electricity. The recent 11.8% increase in electricity raised the lowest rate power for large consumers by less than 0.4 cents per kilowatt-hour, but it raised our lowest rate by nearly twice that amount. Is that fair? There is very little in this life that seems fair to all the parties involved: wage settlements, judges' decisions, death to younger people and so on. Even the electricity rate structure seems very unfair to some people.

Mr LeClair felt that subsidies would be unfair to consumers without access to natural gas. I have shown that such consumers are rapidly becoming fewer. Moreover, there are now oil and wood furnaces which are almost as efficient and inexpensive to run as gas furnaces, and Bill 118 does not restrict fuel switching to gas only, but rather to the most efficient fuel under the circumstances. I have also shown that fairness is a point of view. Most decisions seem unfair to one side of the dispute.

Remembering that subsidies may mean nothing worse than interest-paying loans, that it is very urgent that fuel switching spread rapidly, that loans and other incentives will expedite fuel switching and that Ontario Hydro needs fuel switching soon, we hope all parties will see the wisdom of Bill 118 and give it full support.

1540

**Mr Jordan:** Thank you very much for your presentation. I was wondering what opposition you would have to these loans and/or subsidies being provided through the general fund of government rather than by Ontario Hydro? We are not fighting fuel subsidization; we are talking about where the subsidization should come from.

**Mr Willis:** Most people have to buy hydro. The repayment of the loans probably could be done out of their hydro bills or there would be a certain amount of leverage Hydro would have on people to repay, inasmuch as they need to have hydro. That might make it easier to collect loans, recoup the loans, than through the government itself.

**Mr Jordan:** You made several references to what is fair is fair. Where there are two sides, one side is not going to see the other side as being fair perhaps. Keeping that in mind, if we are going to have subsidization or grants as an incentive to switch, would it not be, if you can make it possible, more fair for it to come from the general fund through one of the other ministries, perhaps the Ministry of Energy or the Ministry of Industry, Trade and Technology, and just leave Ontario Hydro bills alone?

**Mr Willis:** As I stated earlier, it is my impression that this would be saving on hydro. The purpose of it is to save Hydro the cost of further insulations.

**Mr Jordan:** But it is also helping out the gas company.

**Mr Willis:** Yes, I grant that. Those questions are hard to answer, to state that it should be one way or the other.

**The Chair:** Mr Jordan, did you want to respond to a figure utilized in this presentation? You had it on an earlier occasion from the Franklin speech.

**Mr Jordan:** Yes, thank you, Mr Chairman, for the opportunity. On page 5 of your presentation, at the bottom of the page, you have a quote, "Realizing that Hydro needs \$50,000-worth of capacity to heat each house electrically...."

**Mr Willis:** Installation.

**Mr Jordan:** Yes. That has come out several times throughout our hearings and it has recently been brought to our attention that it is in fact an error in print when it first originated and that it is, I believe, either \$14,000 or \$15,000.

**Mr Willis:** I see.

**Mr Jordan:** When we were meeting in Toronto last week one of the Ontario Hydro reps told me that he would be coming forward with not only the exact figure but a breakdown of how they arrived at it.

**The Chair:** Mr Yeager, the legislative research officer, is going to try to get something definitive on that before we do clause-by-clause. Perhaps the clerk will make a note to let you know what that information is, just so that we can be in common in what we are speaking of.

**Mr Willis:** Yes, be in agreement.

**Mr Waters:** I want to refer to a couple of articles. Mr Jordan was talking about switching and what is fair.

There is a big article on Ontario Hydro in the Financial Times today. It basically says that Hydro's debt is growing at an unbelievable rate and that our major power consumers are concerned about it. The main reason for that debt is the Darlington nuclear plant. It says they expect something about \$170 million this year and then they will not be able to meet their obligations to retire the debt.

Last week the people from the Metro school boards came to see us. They said if they were allowed to switch in 32 of their 654 buildings in Toronto they would be able to save \$1.76 million annually. They said they were looking at switching 32 SEF, or study of educational facilities schools. I assume the Metro school boards are not only ratepayers but also taxpayers, so whether you save it in this pocket or this pocket, or if you could save a bit in both, it sounds interesting to me.

Do you feel that is a fair investment if Hydro were to assist those people to switch? Do you think that is fair not only for the Hydro customers, because they are no longer having to build these inefficient power plants they are complaining about that are creating their debt, making it bigger, but also for consumers in general, because we pay the education fund, with a savings in their tax dollars of over \$1.7 million?

**Mr Willis:** I have not at any time suggested there should be gifts to such organizations. I have suggested loans. Hydro might be in the best position to find out what the cost of retrofit would be and also how much savings there would be and then determine the terms as a consequence of those factors.

**Mr Waters:** In this particular case, they have done a study. They have it all worked out. In fact, they are awaiting

the passage of this bill so that whatever the program is they can access it. They look at it that to the consumer or the taxpayer, there are definite savings. In their case, on both sides. I just wanted your opinion on that.

**Mr McGuinty:** What about a means test? We are not going to have any grants, as I understand it. You would prefer rather that Ontario Hydro simply extend loans to people who would like to switch. Should there be a means test? What if there is a wealthy person who hears about Bill 118 coming down the pipe who says: "My God, here comes the gravy train. I could easily afford to make the switch now, but if the government is going to help me make that switch, why don't I just wait?"

**Mr Willis:** I often tell the people to get in there first actually. It is just hard to administer, that is all, but it is possible. I think I would inclined to favour a means test of some sort to be certain, with carefully arranged parameters involved. Yes, I would be inclined to agree.

**The Chair:** We thank you and CLEAN very much for your comments, your insights and your participation. The clerk will be getting in touch with you with that material we spoke of. Thank you for coming to Kingston to see us. Have a safe trip home.

RITA BURTCH

**The Chair:** Ms Rita Burtch, please seat yourself.

**Ms Burtch:** I must apologize. I do not have a copy of my presentation for everyone. I did not get the message.

**The Chair:** No apologies are necessary. We are going to listen carefully.

**Ms Burtch:** I was going to suggest that you would look out the window and admire the wonderful view. You make your choice.

My name is Rita Burtch. I live near Smiths Falls in the Rideau Valley. I am a retired Ontario civil servant endeavouring to do what I can, socially and environmentally, to clean up the mess that our generation has created so that my grandchildren and their children will be ensured the right to clean air, clean water, healthy soil and a decent quality of life in a more just society.

Since becoming a full-time activist on my retirement, I have spent a great deal of time protesting government action, mostly federal government I must add. It therefore gives me pleasure to speak out in favour of Bill 118. I am indeed proud to stand with our aboriginal people and environmental groups across the province in support of this bill. Locally, the Rideau Environmental Action League has officially endorsed by presentation.

Through the years I have spoken out against the functioning of Ontario Hydro, its excesses and abuses, always maintaining that we the public should be made aware and have input into the decision-making that profoundly affects our lives and those of future generations.

In January 1986, together with a fellow member of the Ontario Greens, I submitted a petition to cabinet re the eastern Ontario transmission line, pointing out lower-cost, environmentally sound alternatives, and condemning Hydro's nuclear expansion program and its practice of promoting, in fact rewarding, excessive consumption rather

than conservation of non-renewable resources. At that time, we felt that with appropriate technology, Ontario could lead the way to a safe, humane, ecologically sustainable and economically feasible energy future and called on cabinet to have the courage of its conviction and the political will to bring Ontario Hydro under control. When the public hearings came to Smiths Falls, I again presented these views.

As we all know, the ugly towers have been constructed across the eastern Ontario landscape and Hydro continued to build Darlington. So my faith in public hearings and select committees was somewhat shattered.

1550

However, in light of the recent announcement that there will be no new nuclear power plants and thinking we might now have a government that may be listening to what the people have to say, I am pleased to again be part of the process. I can only hope you share my belief that the process is as important as the end result and that consensus can be arrived at through public consultation.

As I see it, the most important aspect of Bill 118 is the move to create accountability by Ontario Hydro to the government, whereby the people of Ontario may regain democratic control of a most important factor in their lives. The fact that for the first time ever Ontario Hydro's 25-year demand-supply plan is being subjected to real regulation under the Environmental Assessment Act and that site-specific assessments will eventually be required is indeed encouraging.

I understand this will not only make Ontario Hydro accountable but it clarifies the responsibility of government, making it also more accountable. It is hoped a mechanism will be provided to ensure that government directives are made public at time of issue. This will confirm that decisions have been taken out of the back room and responsibility placed with the elected officials rather than with the appointed officials of Ontario Hydro.

The other amendment dealing with demand management through fuel switching, whereby the most inefficient and costly use of energy production, electric space and water heating, may be converted to the most efficient, environmentally sound available fuel, affects me directly. For the past 15 years, I have felt guilty about the fact that our retirement home in the country is baseboard electrically heated. However, we are conservers, heating only the space being utilized. We have a wood stove in the basement, thermal windows, and are presently considering a sun room to increase our use of passive solar energy. Unfortunately, natural gas is not available in our area.

It occurs to me that there may be a large section of the population in a similar situation, since baseboard heating is commonly used in apartment buildings and low-rental homes because it is inexpensive to install. The people living in these homes may have other fuels available to them but would not have choice of switching since they are only renting the property. These are mostly people on fixed income, seniors like myself and families of low-income earners, people who must pay the high cost and who would benefit most from a fuel-switching program.

Strong incentives to switching will be necessary in this situation as the landlords are not paying the high costs of the present system and therefore have no interest in fuel switching. Any serious conservation plan involving off-electric fuel switching should include all space- and water-heating systems, residential, commercial and institutional.

My concern is about Ontario Hydro's commitment to such a plan. Can this corporation that so successfully convinced Ontarians to "Live Better Electrically" with its previous expansionary role in the nuclear field and its production to meet any demand planning policy, now become a serious promoter of safe, efficient energy based on less capital-intensive alternatives, many of them small-scale, renewable power sources?

In my view, it is essential that the people of Ontario know where we are, how we got there and where we are going with Ontario Hydro. In order to fix something, you must first understand what is wrong with it. The process of supplying a sustainable source of efficient, economical, environmentally sound power in Ontario should be thoroughly examined and, if necessary, reformed.

That the death knell has sounded on the nuclear industry is indeed cause to celebrate. Purchasing uranium from Saskatchewan, however, where uranium mining is decimating the aboriginal population of northern Saskatchewan, poisoning their land and destroying their way of life, cannot be justified. Nuclear phase-out should begin at once. Instead of spending countless millions on repairs to keep existing plants operational, the decommissioning process, which will cost as much and more, should begin now. This will gradually remove from our lives the threat of a Chernobyl-like catastrophe and the health hazard that exists for all those unfortunate enough to live in the vicinity of nuclear power plants. Though we have been told otherwise by those in charge, Dr Rosalie Bertell, noted nuclear physicist, acknowledges the risks are there and that lives are being adversely affected at all levels of nuclear industry. It is now time to revitalize the soft energy industry, our path to the future, which was mistakenly abandoned in favour of the nuclear option.

Bill 118 is a step in the right direction and must be made effective through (1) a comprehensive fuel-switching program that will eliminate electric space and water heating everywhere in Ontario, (2) an efficiency renovations program, through audits, by Ontario Hydro that would include energy-efficient doors and windows as well as insulation and be extended to include all buildings and homes in the province, (3) solar water heaters for lease from Ontario Hydro and municipal utilities in place of electric water heaters and (4) solar water heating and passive solar design incorporated into the Ontario Building Code.

I also support the proposal by the Independent Power Producers' Society of Ontario for legislation to promote district heating and cooling, DHC, which has proven so successful in Sweden, as a preferred method of heating and to have it included in the Ontario Building Code. This is heat produced as a byproduct of industrial processes, not presently being utilized, that can be used to cogenerate electricity. To a conserver this makes good sense.

I understand there is opposition to this bill from Atomic Energy of Canada Ltd and the Municipal Electric Association. The opposition from Atomic Energy is readily understood since up until now Ontario Hydro has been its biggest customer and promoter of nuclear power. The Municipal Electric Association's opposition, however, is not so clear, except that its primary interests have been those of local utilities, which have expressed concern about reduced revenues due to fuel switching. Both the Municipal Electric Association and the municipal public utilities may simply require restructuring to meet the demands of retail consumers.

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There may also be concerns by employees of Ontario Hydro about job losses. In this regard I would remind government of statements made in its report, Task Force on Hydro, 1984:

"An energy path for the future that emphasizes conservation and the development of renewable alternatives will actually increase total employment in the energy industry. The problems faced in dealing with Ontario Hydro's approach and role in energy policy were not caused by the employees in the energy industry. They were caused by poor planning and mismanagement, problems that are ultimately the responsibility of the government. The employees should not and cannot be forced to bear the brunt of government mistakes."

In accepting responsibility, I trust that this government is prepared to honour its commitment and that transition policies are in place to deal with this situation.

I appreciate the opportunity of presenting my views again. I believe that this time the voices of concerned citizens will be heard above those with vested interests and that Bill 118 will pass into law. My hope is that exercises in participatory democracy such as this will continue to be part of a system that will lead to a brighter future for us all.

**The Chair:** Thank you, Ms Burtch. Mr Wilson, two minutes.

**Mr G. Wilson:** Welcome, Ms Burtch. It is nice to see you in person. I have been long aware of your active work in your area through the pages of the Kingston Whig-Standard. I believe you are a fairly frequent correspondent with the editor.

**Ms Burtch:** Oh, yes. Thank you.

**Mr G. Wilson:** I guess I can see where some of the members of your family get their activism as well.

**Ms Burtch:** They do indeed.

**Mr G. Wilson:** As I say, it is nice to see you here. I would like to follow up on that line of thinking about how we can generate support for the initiatives Bill 118 represents as well as some of the other things it just points towards, like using renewable energy to a greater extent. In other words, how do we acquaint others at the grass-roots level with them. What has worked in your experience?

**Ms Burtch:** I think there is need for an education program so people realize the necessity of switching fuel. I think there is a real awareness of the environmental conditions. I think people are thinking about conservation and

there needs to be encouragement from government and the powers that be in ways of reaching those goals.

**Mr G. Wilson:** So you think the government should take an active position on making people aware of the issues involved in things like renewable energy?

**Ms Burtch:** There need to be incentives too. People cannot just change things as much as they would like to without incentives.

**Mr G. Wilson:** What about incentives? One thing we are hearing here is that with subsidies, for instance, or some kind of payment, that is unfair to those who do not qualify, depending on the area you live in. How do you see that? Do you see that as a problem?

**Ms Burtch:** Not necessarily. I myself cannot take advantage of switching to gas because we do not have natural gas, but I do not feel badly about subsidizing people who can do it, because I am that concerned about the environment that I think we must all do what we can to change things.

**Mr G. Wilson:** You mean people who would not qualify for the subsidies can feel some benefit for somebody else, and then there is less need for things like nuclear power plants. Is that what you are saying?

**Ms Burtch:** No, I do not see any need for nuclear power plants.

**Mr McGuinty:** Thank you, Ms Burtch, for a very interesting presentation. I just want to pursue this matter of the nuclear generation a bit more with you. Where do you see the connection between this bill and the elimination of nuclear generation in the province? What is the relationship?

**Ms Burtch:** It was not necessarily to do with the bill. That news came out just as I was studying the background for my presentation, but I do not see that in the bill actually, except that through conservation we will have no need for nuclear.

**Mr McGuinty:** You know, Ms Burtch, people have a concern about governments and politicians today. I am sure you would agree with that. Some people get to vote for somebody for the public utility commission. A lot of those people have been coming to see us. Commissioners or chairmen of the commissions are coming forward and saying they have some very serious concerns about the fuel-switching provision. I have been asking them if they could assure me, if I were a ratepayer living in their area, whether this would be a good thing. I think it is fair to summarize their response as being either, "We don't know," or "It's going to hurt you."

Who should I look to? Who am I to believe, as a ratepayer? You are telling me it is going to be a good thing and those commissioners are telling me they just do not know, and they are in the business.

**Ms Burtch:** They are in the business. I am a consumer, and I cannot justify the higher rate of electric heating compared with the other alternatives.

**Mr McGuinty:** Are you telling me I cannot trust them?

**Ms Burtch:** Cannot trust whom?

**Mr McGuinty:** The commissioners. Are they all bad?

**Ms Burtch:** You can trust them if you want to. Go ahead. I am not saying there is anything wrong with commissioners as such.

**Mr McGuinty:** Let's just assume that there are a few in there who have my interests as a ratepayer at heart.

**Ms Burtch:** Really? Where are they?

**Mr McGuinty:** Okay, thank you very much.

**Ms Burtch:** Thank you.

**The Chair:** Oh, Ms Burtch, please.

**Ms Burtch:** I am not finished?

**The Chair:** No, you are not finished. We want to hear more from you.

**Mr Jordan:** Yes, I could not let you go, Ms Burtch, without a special welcome here today. Ms Burtch is a next-door neighbour of mine in the township of Montague, county of Lanark, and I too do not have access to natural gas. Not being perhaps as well read or as committed as you are, I do really resent that on my hydro bill, the people down at the highway from where I live can switch to natural gas, along by Angelo's, and I will be subsidizing it. If that has to be done, I think it should come out of the general fund right across the province and make it fair for everyone. I do not think it should be on my—

**Ms Burtch:** It should come out of the hydro rate: Is that what you are saying?

**Mr Jordan:** No, I am saying it should come out of the general fund. Assign it to the Minister of Energy, say, and then it will be in his budget, not in the Ontario Hydro budget. Then my electrical rate will be for the electricity I used. That is about the way I feel about the thing, and you have made your points quite clearly.

The other thing I was concerned about was that somehow you had got the impression that this government has said no more nuclear. I do not think that is really a fact. I think they are saying, "No nuclear, but nuclear if necessary."

**Ms Burtch:** It is up to us to make it unnecessary.

**Mr Jordan:** Certainly we are going to support conservation, but on the other hand—

**Ms Burtch:** If it is done well, it can work.

**Mr Jordan:** I hope your positive approach is that way, and again, I appreciate your interest in coming over and the time you have spent on environmental issues and on energy in general.

**Ms Burtch:** Thank you.

**The Chair:** Mr Johnson, very briefly.

**Mr Johnson:** I have a very short comment and question. I think a lot of this has to do with attitude. Would you not agree? Mr Jordan's attitude probably is not exactly the same as mine.

**Ms Burtch:** Changing attitudes—

**Mr Johnson:** That is right, and then I am a conserver, I am an environmentalist. In fact, previously I heated with electricity, and last year I put up a chimney, put in a woodstove and reduced my costs by 37%, which I had not done previously. I do not regret that at all. In fact, I would

not even expect to be paid by the government for having done that, because I saved directly.

My question is simply this: Do you not agree that attitudes generally have to change, and do you think enough emphasis is being placed on that with regard to the conservator society? The fact is that quite frankly we have not been the best society in the past. Do you think the government should be involved in encouraging attitudes to change? We cannot legislate it. Never could we legislate a change in attitude, but certainly to encourage people to change—

**Ms Burtch:** People should be encouraged certainly. Yes, I believe strongly that they should be encouraged.

**The Chair:** Ms Burtch, I have to tell you that this committee has been in as many places in Ontario as it has been permitted to go over the last couple of weeks, up north and then in Toronto and now Kingston through to Windsor. This legislation has attracted a whole lot of attention from a whole lot of people. As you can well imagine, the views expressed have covered the whole spectrum, but all the participants, regardless of where they are in the spectrum, have had a strong interest in the issue. You represent those people who are prepared to come forward and expend time and energy and some not-insignificant cost in making sure your views are known. We thank you very much, along with all the other people who have gone out of their way to visit with us. Take care. We trust you will keep in touch. Thanks, Ms Burtch.

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VINCE MALONEY

**The Chair:** One final matter, Vince Maloney. Come forward, please, and tell us who you are.

**Mr Maloney:** My name is Vince Maloney. I have lived around this area all my life. I am a retired steelworker. I was born and raised on a farm and was involved in municipal politics for nine years. During that term, I was the county of Frontenac's representative on the site selection committee for future generating plants for Ontario Hydro. I am referring now to around 1976. We used to meet down in Brockville, in the area of the Ottawa Valley and the St Lawrence Valley.

At that time, Ontario Hydro had a much different perspective or ideology than I perceive it to have today. For example, they assured us that the demand for hydro was going to increase by 7% each year over the year before, which would result in a doubling of the capacity each 10 years. I guess one way one could describe that is that Ontario Hydro's philosophy at that time was uncontrolled growth, which I understand is the same manifestation as cancer. I am thankful that has been changed.

Incidentally, I support Bill 118, but I wonder if we are all as conservator-minded as we seem to be. We have about 20 windows around here and we have all the lights on, and they have been on all afternoon. I do not think that speaks well for conservation. I know the hotel is going to charge the same amount whether you have the lights on or off, but if we were concerned about conserving, I think we could

have seen quite adequately this afternoon with the lights off. This is just a point.

I did not anticipate making a presentation here today, so I did not go to any great pains to prepare anything. I suggested that maybe about five minutes would be adequate and that I might be prepared to attempt to answer a couple of questions.

**The Chair:** I do not think these people are going to let you go without responding to at least a few. Mr McGuinty?

**Mr McGuinty:** You had better come back to me, Mr Chair.

**The Chair:** No problem. Mr Jordan.

**Mr Jordan:** Thank you, Mr Maloney, for taking time to express your views on what you feel is a positive change in Ontario Hydro. You had the opportunity to sit on the site selection committee as the 500-kilovolt line went across from Kingston to Ottawa. Is that right?

**Mr Maloney:** No, not at that time. This was prior to that time. This was when they were determining where future generating plants were going to be located and they had concerns about the type of land and other constraints, one of them being, of course, the high prevalence of earthquakes in the St Lawrence Valley. The other constraint was that they did not want them any closer than 15 miles apart, because they wanted the water to be able to cool down a little bit before it got sucked into the next one.

**Mr Jordan:** You are talking about the plants now?

**Mr Maloney:** Yes, that is right.

**Mr Jordan:** When you were on the committee of course, the economy was booming and Ontario was the envy, you might say, of many of the other provinces in Canada. My concern is, should we be fortunate enough, if you will, to return to that state of the economy and the demand that was there, and if we have done our very best with conservation but cannot meet the demand for the new industry moving into Ontario, what would you suggest?

**Mr Maloney:** It is my understanding that Mohawk Power Corp or some of the private-enterprise generating companies and power corporations in the United States, which cannot put the state or the country up as collateral when they go to borrow money—after Three Mile Island, they had others on the drawing board, some partially built. They did an about-face and offered to do what has been suggested here today: offer money, interest-free, to their subscribers to retrofit. In so doing, they found out that they could, on paper—and to the best of my knowledge their calculations have been correct—meet their obligations to provide power to their customers without having to build other generating plants and without any reduction in the quality of life. They made these loans interest-free to their consumers, be it a factory, a store, a house or whatever.

**Mr Jordan:** You say we are doing that now?

**Mr Maloney:** No, no. They are doing it down there and they did it down there. My authority for that was Donald MacDonald, who was quite knowledgeable about Ontario Hydro. He said that here in Kingston one night.

**Mr Jordan:** I am just saying that today is not for ever, let's face it.

**Mr Maloney:** But I believe Ontario Hydro was a showcase for flogging the Candu reactor back at that time. They were hooked on that. Hydro, I guess, is derived from the word "hydraulic." Have they exhausted all the hydraulic potential? I do not believe they have.

**Mr Jordan:** I guess that is one good point about the conservation program. They will be reviewing and studying the remaining hydraulic sites. But again, relative to the environment, you are going to run into an equal amount of opposition, if not stronger, when you go to develop hydraulic sites.

**Mr Maloney:** I remember reading an article one time about the potential of the tidal bore in the Bay of Fundy. If the Ontario government ever decided to harness the power of James Bay, the transmission from there to here was about what it would be to cross part of the States from the Bay of Fundy. That is a never-ending source of power. The tide goes in and out with that tidal bore twice a day, every day of the year.

**Mr Jordan:** If I could just read a short bit here on the revised plan, it says that Hydro's planning approach identified hydraulic as a priority option. However, since the 1989 plan—at that time, they had the hydraulic option as number one. They have never had the nuclear option as number one.

**Mr Maloney:** We know what Atomic Energy of Canada was trying to do. They wanted to showcase. When Romania and all those other places, South Korea, all these freedom-loving countries, Pakistan and India and so on, came to buy a nuclear reactor, they wanted to see one in operation.

**Mr Jordan:** What it is saying here is that as the result of the Ontario government and the first nations in Ontario and the relationship between Hydro and the aboriginal peoples, Hydro officially suspended planning for six new stations and two extensions to existing stations on the Moose and Abitibi rivers.

**Mr Maloney:** Right.

**Mr Jordan:** So there are environmental problems no matter where we go.

**Mr Maloney:** That is right. The native people know the situation too, you know. If they could be convinced that the white man no longer speaks with forked tongue, they might be persuaded, for the benefit of all, to enter into some arrangement.

**Mr Klopp:** You mentioned earlier that you felt Ontario Hydro got kind of hooked on one power source, nuclear. In your mind, is this bill showing that Ontario Hydro should look at many forms of energy sources? Is this bill going to do that?

**Mr Maloney:** To be quite honest, I have not read this new act, but it would seem to me that Ontario Hydro should be concerned with energy, not just with power, whether you generate electricity from biomass or from wind or from whatever source. I think it should expand its horizons, if it does not already consider those potentials.

**Mr Cleary:** Just a bit of curiosity. I used to run into you a number of times over a period of years. I think you were a municipal politician. Is that correct?

**Mr Maloney:** Yes. I was on the AMO board.

**Mr Cleary:** Are you still on the board?

**Mr Maloney:** No, the people saw fit to retire me from politics.

**Mr Cleary:** They retired you?

**Mr Maloney:** Yes.

**Mr Cleary:** Okay, thank you.

**The Chair:** Mr Maloney, thank you. I thank all the people who came this afternoon. We appreciate everybody's cooperation.

We are coming back here at seven o'clock this evening. The first group is Darlington Alert. Of course, members of the public are welcome and entitled to come visit with us more this evening. There will be more coffee; it will be hot. We look forward to seeing you then. Thank you. We are recessed until seven.

The committee recessed at 1622.

## EVENING SITTING

The committee resumed at 1856.

## DARLINGTON ALERT

**The Chair:** People are here who believe they are to make their presentations starting at 7 pm. We are going to start. The first participant this evening is Darlington Alert. Will they please come forward, have a seat and tell us who they are. We have 20 minutes. Please try to keep your comments within the first 10 minutes so we have time for questions and answers.

**Mr Gervain:** There is no way of turning down the temperature in this room, is there?

**The Chair:** This room is an incredibly ironic place for these hearings to have been held today, for a variety of reasons.

**Mr Gervain:** It is sort of indicative of the endemic situation we face throughout the province. It is something I hope you people will see we do something about.

I would like to introduce myself. My name is Paul Gervain. I am a member of a local eastern Ontario group called Darlington Alert. I would like to thank the committee for the opportunity to present our views on Bill 118 this evening.

I speak of course, as you might expect, on behalf of and in favour of Bill 118. Darlington Alert is a small group that has been active here locally over the past years. Some forerunners of the group go back to as early as 1978: the Kingston Coalition for Nuclear Responsibility, and in Leeds county where I live, just across the county line in Seeleys Bay, the Leeds County Conservers Society. All these groups and a small group of activists have been working over the years on behalf of a non-nuclear future, and to that end have been actively promoting energy efficiency as an alternative to that nuclear future.

Darlington Alert is a constituent member of the Coalition of Environmental Groups for a Sustainable Energy Future, which is intervening in the environmental assessment hearings of Ontario Hydro's 25-year plan. I am proud to say that as early as 1979 members of our group, myself included, were involved in the first demonstration at the Darlington nuclear station when they were still just digging a big hole, into which they subsequently poured \$13.5 billion of our money. Since that time, as I say, we have been actively promoting alternatives to what we see as a very expensive and an environmentally dubious endeavour; that is, nuclear energy.

We have followed with interest the recent announcement of Ontario Hydro with regard to its revised demand for electricity, which would seem to indicate that nuclear energy is a very unlikely alternative in the foreseeable future. We even indulged ourselves recently in a bit of champagne in celebration of the demise of nuclear energy and a non-nuclear future. We celebrated, but we also committed ourselves to continued vigilance, because we know that unless quantum level reductions in consumption of energy continue to happen we could slide back into an expensive nuclear miasma.

As you no doubt know, Ontario is third, I suppose—only Quebec and Norway consume more electricity per capita than Ontario. We have a very unenviable record in energy consumption and I think it behooves us all to move as quickly as possible to redress that situation. It would also serve our economy and our industry to move towards more efficient use of energy and move away from a very antiquated means of doing business that I think is proving to be very costly and is making us much less competitive in a world environment because of our huge energy appetite.

I would like to quote briefly from Amory Lovins, who some of you may know as an energy guru of the Rocky Mountain Institute. He spoke of the need to move towards energy efficiency. He says:

"The opportunity for selling efficiency is real and pervasive and arrestingly large. Research by Rocky Mountain Institute has shown in detail that by equipping today's factories and buildings with the best equipment now on the market we can save about three quarters of all electricity now used, and save it at a cost far below the cost of just operating a coal or nuclear generating station, even if building it costs nothing.

"Similarly, full use of best technologies already demonstrated but not yet on the market could save nearly four fifths of all the oil consumed, at a cost well below that of finding new domestic oil. A saved watt of power"—which Lovins refers to as a negawatt as opposed to a megawatt, a unit of production; a negawatt is a unit of conservation—"a negawatt, is just like a generated watt only cheaper, cleaner, safer and faster to produce.

"Utilities that have helped their customers save electricity or gas through information, design support, low-cost loans and leases, rebates and outright gifts of the more efficient technology are able to sell the saved electricity more cheaply than building facilities to generate more of it, because they are getting it from facilities already operating and often already paid for."

This makes great sense to us. We fully support Bill 118. First, we have long believed that there must be more political control of Ontario Hydro. The need for this is self-evident. Second, we believe it is essential to switch from the inefficient use of electricity—i.e. space, hot water and cooking—to more efficient and environmentally benign energy sources such as natural gas, propane, high efficiency oil and solar alternatives.

Many still believe that electric heat is clean, whereas a switch to natural gas reduces carbon dioxide emissions by threefold and almost completely eliminates sulphur dioxide emissions. Electric heat is not cheap and it is not environmentally benign, and we should do whatever we can in the immediate future to move away from it. This would apply as well to electric hot water heating.

We believe Ontario Hydro must provide incentives to switch from electricity. Some may ask: "Why incentives? Why don't we just let market forces dictate the switch?" The answer is that the market forces are not being allowed to play themselves out. Electricity right now is artificially

cheap. It is being held below market value by means of the fact that it is not taxed, by means of the fact that there are cross-subsidies and that electrical prices are blended. Cheaper hydro-electric power is blended with very expensive nuclear and coal power, resulting in an average cost that is less than the cost of the marginal cost of producing an additional bit of electrical energy. As a result of that, people have been given false market signals over the past decade to switch to electric heat and electric hot water heating, which has proven to be a disaster for those people. An electrically heated house similarly insulated to another house heated with natural gas is paying, I think, somewhere about 65% more in electrical bills than the gas utility costs.

We also believe that people will not switch unless it is made easy and economically accessible for them. This applies particularly in the very tough economic environment we are living in, when people have very little disposable income. I cite myself as an example of someone who, despite the fact that I am reasonably well motivated and environmentally motivated—I look at my own life. I live in the country in an old farmhouse. When I moved into this farmhouse there was no insulation in it whatever and it was heated with an oil furnace. I look back over the 15 to 17 years since I moved there. The first step I made was to insulate the walls and the attic and take advantage of a federal government program to subsidize the insulation. I believe it was \$400 that I got. It was some time ago; forgive me if I forget.

Second, there was an off-oil program, you may recall, back in the late 1970s or early 1980s which unfortunately had a lot of people switching from oil to electricity, which is like jumping from the frying pan into the fire. As a result of that off-oil program, I was able to install a high-efficiency wood stove that displaced my use of oil considerably. Actually, I have two wood stoves that almost entirely heat the house now.

A few years later there was a federal government pilot program that unfortunately did not go very far, but it subsidized the installation of solar hot water heaters to displace domestic electrical and gas hot water heaters. I took advantage of that program and installed a solar hot water heater, and therefore I am heating most of my hot water with solar panels on my roof.

Recently Ontario Hydro had a promotion whereby it came around and, for free, installed insulating jackets on hot water heaters, as well as low-flow shower heads. I took advantage of that.

Similarly I have installed about five or six compact fluorescent bulbs in my house, utilizing in part Ontario Hydro's subsidy. All these moves that I have made, these initiatives to conserve electricity in my own home, have been precipitated by incentives from the government. These incentives are absolutely necessary if people are to move away from the inefficient use of electricity and towards more environmentally benign sources of energy such as gas and solar.

I would like to stress that most of the attention with regard to Bill 118 is a switching from electricity to gas. This is, I believe, a very appropriate move for the 70% of

households that are serviced by gas, but it should not be exclusively limited to switching from electricity to gas. Rather, all fuels that can compete economically with electricity, which is just about every fuel on the market, should be allowed to compete and should also be the beneficiary of these incentives. Solar hot water heating, for example, is right now economically competitive with electric hot water heating. It should be the subject of the incentive as well. Let's not restrict ourselves strictly to gas.

I know there is some opposition to this bill, as difficult as that may seem to some of us. I think you must acknowledge that the opposition to the bill, which I understand comes from AMPCO, the Association of Major Power Consumers in Ontario, and the Municipal Electrical Association essentially comes from people who are trying either to sell us electricity or sell us electrical products, or from large industries that are huge consumers of electricity and, I would say, wasters of electricity, and therefore in whose interest it is to keep electrical rates artificially low.

You should not listen to them, but to us, the consumers, who are paying 40% of our electrical bill right now into debt repayment for Ontario's nuclear program. Some of us are paying 65% more than we need to for fuel because we were saddled with electrically heated homes that builders found expedient and economically wise to build because of the low capital cost, but are of course very difficult and expensive to heat.

We need incentives to reduce our use of electricity. It is in Ontario Hydro's and the Ontario public's interest to facilitate this switching of fuels. I believe Bill 118 will go a long way to helping that happen. I urge your support for Bill 118.

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**Mr Jordan:** I really do not have the time to enter into a discussion of the pros and cons of Bill 118 in a minute. As you have stated yourself, there is considerable concern about the bill from different aspects, such as the authority being given to the government without it being discussed in the Legislature. We do not see any reason why a directive should not pass through the Legislature and be discussed. The government still has the power to put it through, but at least it has been in the Legislature and it has been heard. The other thing that has been questioned is the subsidization of the switch-over. Is it fair to the people who do not have natural gas available?

**Mr Gervain:** Why would you ask me that since I do not have natural gas available? I thought this was a question. If so, why do you not ask me whether it is fair to me? I do not have natural gas available to me because I live in the country. Is it fair to me?

**Mr Jordan:** That is for you—

**Mr Gervain:** Is that your question?

**Mr Jordan:** No, that is not my question.

**The Chair:** Feel free to respond to it, if you want.

**Mr Gervain:** What is your question?

**The Chair:** Look, if you want to respond to Mr Jordan's comment, that is entirely appropriate. Go ahead.

**Mr Jordan:** I do not have a question because I do not expect an answer. Thank you very much.

**The Chair:** But go ahead and respond, if you want.

**Mr Gervain:** I would respond because obviously I believe it is fair. As it is now, the rest of us who have been using small amounts of electricity in our everyday lives have been, in effect, subsidizing those who use a lot. We have to look not just at the rates of electricity, what the actual rate per kilowatt is, but what our bill is at the end of the month. If consumers are allowed to make efficiency improvements and therefore reduce the overall demand for electricity, despite the fact that their electrical rates may go up, their overall bill will go down. It is up to us to help them do that.

**The Chair:** Mr Jordan, do you want to reply briefly to that?

**Mr Jordan:** No, that is fine.

**Mr Arnott:** I have a quick question. You seem to be very strident in your—almost—hatred of the consumption of electricity. I do not know if that is a fair way to characterize it.

**Mr Gervain:** Sure.

**Mr Arnott:** I wonder why you have said you have taken advantage of a lot of government programs. Why do you require an incentive to change your house to restrict the consumption of electricity?

**Mr Gervain:** That is a good question. If electricity were much more expensive than it is today—although for some of you it is expensive today, it was much cheaper several years ago over the course of the historical events I have told you about. Essentially electricity has been so cheap that it has competed very well with other fuels. It has therefore been necessary to have economic incentives to move away from its use. It did not make strict economic sense, based on my electrical bill. I could not justify the payback on some of these things. However, if we look, for example, at a 15-kilowatt electrically heated home right now, Mr Franklin, the past chairman of Ontario Hydro, has stated Hydro's own numbers indicate that it costs Ontario Hydro about \$50,000 in installed capacity to supply the electricity for that home.

**Mr Jordan:** Point of order, Mr Chairman.

**The Chair:** One moment; let this gentleman respond.

**Mr Gervain:** If we can encourage people to reduce their demand for electricity, it is much cheaper for Ontario Hydro to conserve a megawatt, than to produce a megawatt.

**The Chair:** Mr Jordan, I think you have a point of some sort. I am not sure whether it is technically a point of order, but go ahead anyway.

**Mr Jordan:** I am not sure either, but it is a point of information anyway, and it is relevant to your statement. I just received this information from Ontario Hydro on the "cost of installing electric heat in Ontario homes:

"The most up-to-date figures are contained in Ontario Hydro's response to interrogatory 4.7.26. from the Coalition of Environmental Groups at the Environmental Assessment Board's hearing into the demand/supply plan. The

response, which is attached, estimates that to supply electric space heating to a 15-kilowatt furnace in an Ontario home would require about \$7,000 to \$11,200 in net capital cost in the electricity system."

**Mr Gervain:** I would be happy, Mr Jordan, to—

**The Chair:** Let me explain.

**Mr Gervain:** I am quoting Mr Franklin, the past president and chairman of Ontario Hydro, and I have the document. I have the speech by Mr Franklin, who resigned about a year ago, I believe.

**The Chair:** To be fair to everybody, that figure has been cited many times during the course of the last few weeks. Mr Jordan raised the issue of this corrected or amended figure from Ontario Hydro. Please let Mr Jordan finish reading the letter. It is a copy of correspondence—January 1992, as I understand it, Mr Jordan—from Ontario Hydro. Let Mr Jordan finish. This is clearly a matter of some issue and it is only fair that this be clarified.

**Mr Jordan:** Thank you very much, Mr Chairman. This letter is dated January 27, 1992. The thing I am bringing out here is that we should be working on information that is as correct as we can get.

"Since that response was prepared, Ontario Hydro has updated its overall forecasts. We published these changes in the DSP Update, released on January 15 this year. The Update foresees the possibility of capacity surpluses through much of the next decade. This is a change from the outlook when the original plan was published in December 1989. As a result of this change, the incremental cost for the system to supply space heating load will be different from that previously estimated. In particular, the short-term system incremental capital cost of supplying the space heating load is likely to be lower than previously foreseen.

"Updated estimates of the system incremental cost are scheduled to be completed by the spring of this year. At that time, we may be able to provide a more current estimate of the system incremental cost of supplying residential electric space heat."

At the present time, it is from \$7,000 to \$11,200, which is considerably different.

**Mr Gervain:** If I could explain the difference in that, it relates to the fact that Ontario Hydro, as a result of this new demand load projection, is seeing that it can meet a lot of the electrical demand by use of existing capacity that is already installed, which includes hydro electric—

**Mr Jordan:** No, I am sorry.

**Mr Gervain:** Allow me to finish, please. What we were talking about was that if a new home is built today and is electrically heated, and if Ontario Hydro has to build new capacity to heat that home, Ontario Hydro's own numbers for cost per installed kilowatt is \$3,800. Multiply \$3,800 per installed kilowatt as the marginal cost of that electricity times 15 kilowatts and you would get about \$50,000 or \$60,000.

If you want to blend that in with the lower cost hydro-electric power—the des Joachims dam in the Ottawa River that was built in the 1940s and 1950s—and artificially

lower that rate, that is fine. But the new house built today that requires that additional margin of capacity in fact will cost Ontario Hydro closer to \$50,000 and cost us \$50,000.

**The Chair:** In response to what is obviously a variation in interpretation here, clearly you are referring to the October 22, 1990, speech by Robert Franklin when he was Hydro president and CEO, where he is cited as using the figure \$50,000.

Mr Jordan has, and I believe other members of the committee have, received correspondence from Hydro, because they sought clarification as well. I should tell you that the Coalition of Environmental Groups at the demand management hearings sought a clarification of Mr Franklin's figure of \$50,000. The matter is still clearly in some issue, and during the week of February 17 representatives of Ontario Hydro, including the chair of Ontario Hydro, will be appearing in front of this committee. I have no doubt that your interpretation of the \$50,000 as compared to what Mr Jordan has referred to, and his reliance upon the new figures provided by Hydro, will be put, at the very least, to personnel from Ontario Hydro if not the chair himself. You will undoubtedly be interested in the transcript of those hearings. Get hold of the clerk or your MPP, Mr Wilson, whoever. They will be pleased to keep you advised. It is an interesting issue and it is one about which there is some disagreement. I have no doubt that the purpose of Mr Jordan and others was simply to seek clarification.

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**Mr G. Wilson:** I really appreciate your submission, informed as usual. When you say more political control of Ontario Hydro is self-evident, could you elaborate briefly on what you had in mind?

**Mr Gervain:** I saw a graph recently on Ontario Hydro's demand projections for total electrical demand for Ontario up to the year 2010, I believe. I do not have that with me. It was a bar chart. It showed the 1976 projection like this and the 1980 projection like this: You could ski down the slope.

Ontario Hydro has been grossly out of whack with reality. They have been blinded by their massive commitment to nuclear energy and to energy supply as opposed to meeting the demand side. For 10 or 15 years, environmentalists and even conservative economists have been lobbying the Ontario government and Ontario Hydro to look at the demand as opposed to keeping on blindly servicing supply. Finally, in 1992, we see Ontario Hydro start to make some moves in that direction. If they had started to make those moves in 1978 or 1980 we would not be in the mess we are in. We would not have spent \$13.5 billion on Darlington. we would have spent that money much more efficiently on conservation measures that could have been implemented 10 or 15 years ago.

Ontario Hydro really has very little credibility in its energy projections. I think they have shown themselves very blind and stubborn with regard to alternative futures that other people have seen. I know we do not have a lot of time to go into this, but I think that is one aspect of Ontario Hydro's misguided sense of purpose that has bothered a lot

of us. We obviously would like to see some political control brought to Ontario Hydro.

**Mr Huget:** Just a brief point of clarification: Mr Jordan refers to his figures with regard to capital investment costs. It does not include the cost of operating the facilities or fuel, so the figure goes up somewhat there.

**Mr McGuinty:** Mr Gervain, I have been listening with interest to your presentation. I am a bit confused when it comes to Hydro. They are the people who told me at one point that I could live better electrically, that we could build Darlington, I think, for around \$4 billion.

**Mr Gervain:** \$3.5 billion.

**Mr McGuinty:** It was \$3.5 billion, yes, and now they are telling me I can save 9,900 megawatts by the year 2014. Why should I believe them now?

**Mr Gervain:** You should not. They can save probably double that.

**Mr McGuinty:** Why do we not double it?

**Mr Gervain:** Double it. In 1978 when they were saying Darlington was going to cost \$3.5 billion, if you check back in the record, the environmental groups were saying \$12 billion or \$13 billion and everybody said, "You're crazy." Darlington is now placing their demand reduction figures at—I do not know what the real numbers are. I do not have the resources to project this data, but intuitively, based on my scepticism of Ontario Hydro's ability to predict the future, I would say they are way low.

**Mr McGuinty:** One of the things you tell us is a good thing is that Bill 118 would allow government to gain further control over Hydro. What would happen if some government, in reliance on Bill 118, decided it was going to exercise its powers, given to it under Bill 118, to speed up the development of nuclear generation?

**Mr Gervain:** I have reservations about that as well. My understanding of the legislation is that Ontario Hydro is unlikely to come under direct and total control of any government. I know the history in Ontario has been that the Ministry of Energy and the Ontario Energy Board, who have been the nominal people controlling it, have been like the tail wagging the dog. They are very small. The Ministry of Energy is very small and has proven to be not terribly effective at controlling Ontario Hydro. I would hope that some measure of public accountability would be brought to bear.

In the past, Ontario Hydro has just gone its way with virtually no public accountability. Surely there has to be a middle path somewhere. I share your reservations. I would not want to give over complete control to any government. But none the less, Hydro has to be brought under some degree of public control as opposed to governmental control.

**The Chair:** I want to thank you on behalf of the committee for coming here this evening. You have obviously been marginally provocative, and that is okay because this type of discussion is inevitably productive. We thank you for your historical interest in the matter, for your ongoing interest, and for taking the time to come here this evening.

## ONTARIO PUBLIC INTEREST RESEARCH GROUP

**The Chair:** The next group is the Ontario Public Interest Research Group. Come on up. While you are seating yourselves, I should explain that this is a three-party committee with representatives of each of the three political parties in the Legislature. In the Liberal caucus is Dalton McGuinty, who is the Energy critic for the official opposition; with the present Conservative caucus here in the committee is Leo Jordan, who is the Energy critic for the Conservative party, and among the government caucus members is the MPP for Sarnia, Bob Huget, who is also the parliamentary assistant for the Minister of Energy.

We are all going to listen with great care. Tell us who you are and proceed with your comments. Try to keep them to 10 minutes or under because we want to save time for exchanges and conversation and questions.

**Ms Mueller:** My name is Toby Mueller. With me are Keith Stewart, Robin Roots and Heather Wornell. We are here today representing the Peterborough chapter of the Ontario Public Interest Research Group.

OPIRG is a student-funded non-profit organization. We are supporting the proposed amendments to the Power Corporation Act contained in Bill 118. We believe these amendments will increase democratic control over Ontario Hydro and provincial energy policy. The changes will facilitate improvements for the environmental, social and economic wellbeing of Ontario.

Accountability and fuel switching are the main issues we would like to address. By clarifying the relationship between the government and Ontario Hydro, this bill will allow for greater accountability. Although we know that directives by the government of the day to Ontario Hydro are not a new thing, they have not always been open to public scrutiny and comment. This amendment will define the responsibility of the government in the direction of Ontario Hydro and will make both the government and Hydro more accountable to the people of Ontario.

Policy directives should be public in order to avoid the disastrous consequences of backroom deals, such as the contract for Elliot Lake uranium, which has cost Ontario taxpayers and consumers an extra \$1.2 billion over the past 10 years.

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As members of a public interest advocacy group, we obviously feel very strongly that the democratic process can only happen when there is an active and informed public participation process. That is why we are here tonight. We recognize that Ontario Hydro is part of a community of industrialists, government officials and scientists who form a genuine electric power establishment. The legitimacy of this community comes from its claim to be working in the public interest. Given the historical facts, I do not believe this to be true. The only people who work in the public interest are the public, and it is essential that all Ontarians, not just technocrats, have access to the decision-making process that determines energy policy.

It is important to have democratic control over Ontario Hydro. It is the single, largest corporation in the country in terms of assets and the largest by debt. It is a crown corpo-

ration and should be accountable to the people of Ontario. We own it and it should act in our best interests by supplying power at the lowest social, environmental and economic costs.

The era of "Live Better Electrically" is over. In the last several years, the global environmental crisis has finally hit home. People are becoming increasingly conscious of the fact that we have to consider carefully a broad range of alternatives in order to find answers to our pressing environmental problems. Imagination and ingenuity can only be generated from a truly democratic process. If we leave energy policy up to the technocrats, we run the risk of the same boring, centralized and power-hungry answers.

We do not believe this legislation is an attempt to run Hydro from Queen's Park. Bill 118 proposes that the government set policy, but Ontario Hydro is still responsible for operational decision-making. Energy policy is a political issue and not a technical one. The direction Ontario takes in terms of energy policy must be decided by our elected representatives.

**Mr Stewart:** The other aspect of Bill 118 we would like to address is fuel switching. Currently the Power Corporation Act expressly forbids the provision of loans or incentives for the conversion from electrical space heating to other more environmentally and economically sound forms of heating. We support the amendment in the bill that will allow for our public utilities to assist with such conversions.

In order to understand why fuel switching is so important, we need to look at Hydro's historical role as a promoter of inappropriate uses of electricity and the economic, social and environmental impacts of this policy.

From its creation in 1906 as the first publicly owned power utility in North America, Ontario Hydro has grown at a fantastic rate. Underlying this relentless expansion has been the ideology that increased sales would result in lower costs per kilowatt-hour. Sadly, this mistaken assumption has resulted in what have been, on occasion, inappropriate or even ludicrous uses of electricity.

It was the arrival of natural gas in Toronto in 1955 touched off a 20-year advertising spree for electricity. Even in 1955 natural gas was a cheaper source of heat, but rather than allow gas to cut into its market share, Ontario Hydro, the Association of Municipal Electrical Utilities and electrical supply firms like Canadian General Electric and Westinghouse launched a major marketing counter-attack, the costs of which we are still paying today.

The "Live Better Electrically" campaign was designed to convince people that consuming electricity was the modern thing to do. The campaign included travelling electric circuses, advertisements, gimmicky giveaways and sweetheart deals with developers to make all-electric houses, even though gas or oil space and water heating were and still are cheaper. This campaign was run by public utilities, but was not in the public interest. It used public funds to promote inappropriate uses of electricity.

As Louise Comeau of Friends of the Earth has already told this committee, the overuse of electricity for things like space heating is a waste of resources comparable to cutting butter with a chainsaw, and yet by 1970, electrical

heating was being installed in one out of every four new houses being built. According to Statistics Canada, by 1990 there were 731,000 electrically heated homes in Ontario.

The reasons we oppose the use of electricity for space heating include its excessive cost, the brunt of which is borne by the poor of our province, and the unnecessary and unacceptable damage to the environment that it entails.

**Ms Roots:** Electric heating is extremely expensive for the consumer. Even in the years of high gas prices, it was more expensive than gas or oil. According to the study conducted by Passmore Associates, the deliberate marketing of electricity by Ontario Hydro has encouraged consumers to spend 77.8% more for heating services than if they had used more cost-effective fuels. Between 1975 and 1991, this has cost ratepayers almost \$4 billion in extra heating costs. To argue for electrical heating, as does the Municipal Electric Association, is to argue against the best interests of the ratepayers and taxpayers of this province.

Electrical space heating is particularly hard on the economically disadvantaged of our province. Because electric heating is cheap to install, it is commonly found in low-income rental housing. Most of the time these homes are poorly insulated, which only increases the environmental and economic costs. These families can least afford the extra costs associated with electrical heat.

For families on low or fixed incomes, large lump-sum expenditures such as those associated with fuel switching or insulating may be impossible, even when this expenditure would save money in the long run. The Ontario government has taken a step forward in banning electrical heat in non-profit housing, but more can be done.

Ontario Hydro and local utility commissions should assist with the financing of fuel switching and conservation programs. The potential impact of such a program is enormous. An aggressive fuel-switching program combined with government legislation could result in up to 6,000 megawatts of energy savings by the year 2000. When compared to the \$13.5 billion spent so far on the 3,500-megawatt Darlington nuclear generating station, the cost of such a program would be minimal. If there are concerns regarding cross-subsidization, this investment in Ontario's future could be considered a loan to be repaid out of savings on electrical bills.

Electric space heating is not only hard on the pocket-book, but it is also hard on the environment. Almost all the power used for electrical space heating comes from coal-fired generating stations. Coal is one of the dirtiest fossil fuels available. It contributes significantly to particulate and nitrous oxide emissions, sulphur dioxide emissions which cause acid precipitation and to atmospheric carbon dioxide, which is the leading greenhouse gas.

Electric space heating is very inefficient. Less than one third of the energy from coal actually becomes electricity and a further 8% is lost in transmission, meaning only one out of every four units of energy produced actually makes it into your home. High-efficiency gas and oil furnaces, by way of contrast, transform 90% to 95% of the energy into heat without transmission loss. As a result, large quantities of coal are being imported from the United States to do some-

thing that would be far more effectively done by alternative fuels.

These alternatives do exist and are feasible. Seventy per cent of Ontario residents have access to natural gas. Where natural gas is not available, other fuels such as wood and oil are. Renewable and environmentally friendly technologies, such as solar-powered water heaters, are becoming increasingly effective and competitive.

Ontario Hydro and local public utility commissions would best serve the interests of their customers and protect the environment if they were to provide loans or incentives for the conversion from electrical heat to cheaper and more environmentally benign forms of heating. Hydro's inappropriate promotion of electrical heat in the past has resulted in the current predicament. Hydro has a responsibility to help its customers get out of the hole that it has dug for them.

**Ms Wornell:** I would like to bring to your attention this example from Peterborough. OPIRG is currently entering into a home-warming partnership with the Peterborough Utilities Commission and Peterborough Green-up. The utilities commission will provide the materials, while OPIRG and Peterborough Green-up will provide the volunteer training, labour and coordination in order to better insulate low-income housing through caulking windows and sealing doors.

It seems that everyone will gain. Low-income families, for whom the relatively large initial investment in materials and the lack of technical skills makes such a stop-draught program otherwise unlikely, will have lower heating bills. The reduction in peak demand for the Peterborough Utilities Commission puts off, perhaps permanently, the need to invest in costly new supply. Producing less power is good for the environment, as fewer resources are consumed and fewer pollutants and greenhouse gases are produced. The catch is that this program will only be implemented in houses that are electrically heated, as Hydro and the Peterborough Utilities Commission currently cannot encourage customers to conserve on anything but electrical heat.

Conservation programs are part of a win-win scenario and should be pursued much more aggressively. They lower costs for consumers. They are relatively labour-intensive, as opposed to building new power supply, which demands large inputs of capital. They create jobs through the province and they preserve and protect the environment.

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Ultimately, the consumer would be best served through a combination of fuel switching away from electrical space heating and a comprehensive conservation program aimed at reducing energy waste. The cost of these programs would easily be justified by the elimination of the need to build expensive new power stations.

In conclusion, we would like to emphasize that Ontario Hydro and its municipal partners are not and should not believe themselves to be in the business of selling electricity. Instead, our public utilities should be attempting to serve their customers in the most efficient way possible,

taking into account all financial as well as environmental costs.

Energy policy, as mentioned before, is a political not a technical issue. As such it must be determined in an open manner that allows for public participation and for voters of this province to hold their elected representatives accountable. This legislation is a forceful step in the right direction.

We thank you for your attention and for this opportunity to convey our concerns to you.

**Mr Huget:** Thank you very much for taking the time to come down and give your presentation before the committee. Briefly, I think probably we can agree that Ontario Hydro, in your view, needs to be more accountable to the people of Ontario. My question is around that process. Do you feel elected officials are in the best position to uphold that accountability to the taxpayers when we deal with Hydro? I would like your views.

**Mr Stewart:** If I could respond to that, I think what we need to do is make the whole process more transparent. If we have politicians setting energy policy with advisers—we are not expecting everyone in Queen's Park to be energy wizards.

**The Chair:** That is a given.

**Mr Huget:** Or even wizards, for that matter.

**Mr Stewart:** Right now it is unclear who is responsible for energy policy. Is it the technocrats in Ontario Hydro? Is it the Minister of Energy? If we can clarify who is accountable, then Ontario Hydro would be accountable to the government. The government will be accountable for giving clear direction to Ontario Hydro.

**Mr Huget:** The utility commissions have appeared before the committee on a number of occasions and will continue to until the conclusion of the hearings. They are opposed to this bill. They say they are opposed because they are acting in the best interests of their customers. Do you believe they are? You are their customers.

**Ms Mueller:** I do not know why they think they are. I have not seen transcripts of what they have said in these hearings, so I do not know what kind of evidence they are putting forward to say they are working in the best interests of their public. In the example of this project we are engaging in in Peterborough, we have had to do an incredible amount of wrangling to get this done, and it is a very simple matter.

**Mr Huget:** With whom?

**Ms Mueller:** With the general manager, Bob Lake, of the Peterborough Utilities Commission.

**Mr Huget:** So you do not see eye to eye on that?

**Ms Mueller:** No. I am not convinced he is actually committed to having a really comprehensive conservation program happen in Peterborough.

**Mr Huget:** Did anybody from a municipal utilities commission ever ask you what your best interests are?

**Ms Mueller:** No, I do not think so.

**Mr Klopp:** Just to add to that, you blame the general manager a little bit. Obviously you have talked to the general manager, so it is like you are talking to your sister

every day; you think it is her making the decision. What about the elected officials? Did you talk to them? They are ultimately going to say to him, "If you're not doing your job, we'll fire you," that type of thing. Did you talk to the elected officials on your PUC to promote your idea?

**Ms Mueller:** Yes, we did.

**Mr Stewart:** This program was actually suggested by one of the new commissioners.

**Mr Klopp:** So the commission then an elected official got the bureaucracy working?

**Mr Stewart:** Right.

**Mr McGuinty:** If I went into a crowded room and said to people, "Look, we've got an organization here, some 36,000 people, highly paid and involved in some very technical operations and we're having difficulty with them, so we're going to put politicians in charge," I am not sure what kind of response I would get to that.

Just to give you an idea of what can happen, the Ontario Energy Board, which is Hydro's so-called watchdog—some people refer to it as more of a chihuahua than a pit bull—reviews, of course, the rate proposals put forward by Ontario Hydro on an annual basis. One of the things they looked at last time was how certain money was being spent with a view to producing energy conservation. The OEB, a body that I like to think is impartial, said that money was not being well invested. It was pretty clear it was only being spent as a result of a political directive. My concern remains. We have a problem with Ontario Hydro. I do not think there is any doubt about that. Does the solution lie in bringing government to bear? Does it lie in beefing up the OEB? More recently some people are telling us we should bring in another force that has never had the opportunity to be brought to bear and that is privatization, that we should let the market force at it and see what that does to it. Do you have any comments?

**Mr Stewart:** On the issue of bringing the politicians to bear, I think they already have been. I do not think there is any question but that there have been policy directives to Ontario Hydro, whether it is the uranium deal or the increased funding to Atomic Energy of Canada Ltd. Those were political decisions and I do not think it is an entirely new thing to bring policy directives to bear. I think we have to make the process more transparent so everyone knows what those policy directives are and so we can hold our elected officials accountable for them.

**Mr McGuinty:** Were you pleased with those two decisions you refer to? Were you pleased with those?

**Mr Stewart:** No.

**Mr McGuinty:** You might end up with more like those in the future, though, as a result of Bill 118.

**Ms Mueller:** I think the point is that those decisions were made beyond the scrutiny of the public eye. If they had been visible to groups like ourselves, they might not have happened.

**Mr Arnott:** Thank you very much for coming in this evening to present to us. The existing Power Corporation Act as presently administered by the Ministry of Energy uses the terminology, with respect to the minister's power

and the government's power, "The minister may from time to time issue policy statements that have been approved by the Lieutenant Governor in Council." This bill changes that terminology to "policy directives" which, I believe it says, must be implemented efficiently and essentially immediately. I am not sure why the government requires that new wording. I assume there is a reason. I assume the government thinks the minister should have more powers with respect to forcing Hydro to do its bidding.

My concern is that some day perhaps we might have a Minister of Energy who has this new power that is very strong who might be unsophisticated, unlettered and perhaps not particularly knowledgeable or with no background on energy issues and electricity issues. We might have some problems if that were to occur. Would you respond to that possibility?

**Ms Mueller:** I do not know, I think there are quite a lot of groups that are quite on the ball, that are watching politicians very closely. I do not think anything major could happen in that scenario because there would be a lot of people down that person's throat very quickly.

**The Chair:** I want to thank you for taking the time to come here this evening. As you can well imagine, there has been a wide range of views presented in response to this legislation, covering the complete spectrum. Everybody here has been very impressed with the interest there is by the public across the province. The committee has been in northern Ontario, Toronto, now here in Kingston, and tomorrow we are going to Chatham. We appreciate the interest you have and the energy you have generated to develop and articulate the approaches you have to the issues. We trust you will keep in touch. You and others can get transcripts not only of today's proceedings but of the complete set of hearings by calling your MPP or the clerk of the committee. Those are available to you or anybody free of charge. I trust you will keep in touch.

STAN SEGEL

**Mr Segel:** Good evening. My name is Stan Segel. I am presenting a brief as an individual. I am a recently retired physics professor from Queen's University. I will speak to you tonight in support of Bill 118.

The background of my support is as follows. When I and a group of friends became interested in energy matters at the time of the oil crisis of the 1970s and the expansion of the electrical generating system as represented by the Darlington plant, we found at that time that it was practically impossible to get Ontario Hydro to listen to the concerns and comments of non-Hydro personnel such as ourselves. Our concern is how to deal with lack of economies of scale, the finiteness of the province and the limits to exponential growth, as well as other environmental issues.

At that time, the lack of attention paid by Hydro to those of us outside the electrical generating system was such that we considered the possibility of political action designed to bring Hydro entirely within a provincial Ministry of Energy, much like the comments you were referring to a few minutes ago, so that the energy problems of the province, not just its electrical problems, might be dealt with in a rational way, which heretofore had not occurred.

The downside, which of course is what you have already discussed as well, is that such a proposition has the appropriate scepticism that people have about the ability of any government ministry, provincial or national, to run anything in a satisfactory way.

The present bill seems to me to be a reasonable first-step compromise. It allows in its limited way for public input via the political representation in Hydro decision-making processes without dominating the independence of the corporation any further.

It also expands the notion of the corporation from one that simply supplies electricity to one that is capable of managing energy and electricity, including the non-use of electrical energy. This is important for several reasons. When faced with a shortfall of energy—the example I am choosing, of course, is electrical—there are several ways you might remedy the process. One is to simply expand the supply in the form of a large generating station such as Darlington. But to be able to pay for Darlington, there has to be the demand to consume Darlington once Darlington is finished, so you advertise up to demand. When Darlington is finished you find that demand indeed has overtaken what you have suggested and then at the conclusion of the process you still have the same shortfall. This is known to some people as the upward-outward spiral and to others as the downward-inward spiral.

Another way would be to control or manipulate the demand, as opposed to controlling or manipulating the supply. Paul Gervain has already mentioned to you the off-oil program and the Canadian home insulation program so I will not bother detailing those things any further. What I would like to mention to you is a little known consequence of that combination of two programs. Do you remember what the off-oil program did? It got you off oil but that was really neither here nor there. What the off-oil program enabled people to do was switch over to energy-efficient furnaces. It really would not have made any difference whether they had switched from oil to oil or oil to gas, as long as they went to a more energy-efficient furnace. Of course, the other thing it did was enable people to insulate their houses so they did not really need so much energy.

What was the consequence of that program? The consequence was that between 1980 and 1990 the absolute energy consumed in home space heating in Ontario declined in absolute terms. Despite the population growth between 1980 and 1990 and despite the larger, increased number of houses and apartment buildings and so on, the absolute amount of energy of all kinds decreased between 1980 and 1990. That is the consequence of what can happen if you go out and say, "What is it we want to achieve and how do we go about doing it?"

When those programs were terminated, I guess in 1983-84, I would estimate that fewer than 20% of the appropriate homes in the province had been so treated. As I say, there is probably a very large market out there for reducing energy demand in absolute terms in the province, if that is what we decide would be a good thing to do.

Hopefully one of the functions of the reconstituted Hydro would be the realization that it is not just electricity

that needs to be conserved simply because it is the most expensive, but that all energies need to be conserved. Gas-heated homes need to be better insulated because even gas supplies will not last for ever. Even gas pollutes to some extent, so what we need is a broader perspective on the ways in which energy is utilized.

I hope Bill 118 succeeds and that the public political input into a revamped Ontario Hydro will better serve the energy needs of the province.

**Mr McGuinty:** One of the things that concerns me about Bill 118 is that it contains a provision which, simplistically, provides that directors are going to stay out of hot water as long as they do as they are told; that is, there is a provision in the bill which exempts directors from liability.

We have already had an instance of the government using this. When the government directed Ontario Hydro to do what it did at Elliot Lake, it inserted a provision in the order in council which said, "...officers and directors of the Corporation"—referring to Ontario Hydro—"who exercise their decisional discretion in compliance with the policy set out herein will be saved harmless and indemnified, jointly and severally, from and against any and all liability incurred arising from such exercise."

The logical interpretation is that the directors felt what they were doing was against the interests of the ratepayers, the people to whom they are, in law, accountable and to whom they owe a very special duty, so the government said: "We want you to go ahead. We are going to exempt you from liability." In fact, the directors said, "If you exempt us from liability, we will go ahead." Are those directors not there to protect us?

**Mr Segel:** First, I think you are gilding the lily just a little bit by implying that the directors of Ontario Hydro have been concerned directly about the rates the ratepayers pay. If that concern had really been there, the system would have developed in a different way. Somehow the common sense that exponential growth is not going to work and that therefore you have to think of some other way—you cannot simply imagine the future the way the past was—would have got hold of them and they would have constituted the system in a different way so that the economies of scale would indeed have resulted and ratepayers would have paid less. When you say these big guys up there who are concerned about our rates are now being told to do something else, I do not really believe they have ever had our interests fundamentally at heart.

Second, I cannot comment specifically on that particular situation. I am aware of the fact that this—I do not know whether it is a buyout or a copout—occurs continuously, unfortunately, in the political process. Even presidents of the United States have been known to be exempt from liability as long as they promise to resign. That is really a political science question that I am not in a position to answer.

You have raised several questions this evening directed towards, "How do you think the political process really works?" I was sitting back here thinking: "That's one of the chances you take with the democratic process. Some-

times you get turkeys and sometimes you don't. You can always hope for the best."

**Mr Klopp:** That was based on past experience in government, I think.

**Mr Segel:** I have already expressed my reservations about letting any provincial ministry take over anything completely, so you understand my conservative concerns in this matter.

**Mr McGuinty:** Why should we have a board of directors then?

**Mr Segel:** You mean any board of directors?

**Mr McGuinty:** No, just the board for Hydro.

**Mr Segel:** Actually, I am not sure. I know why it is important, at this particular juncture, to have some representation via a diffuse political process on the board, or maybe not so much into the board but rather into the decision-making process. As the Ontario Public Interest Research Group has said, somehow the processes need to be made a little bit more transparent. That is a really nice term. We have to be able to see it. We have not been able to see it. I do not think the board of directors has really done very much except rubber-stamp everything Ontario Hydro more or less decided it wanted to do, whoever those top dogs were.

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**Mr Arnott:** I have a couple of questions. I am interested in the concept—the historical concept, I guess we should start calling it—of power at cost. Historically Ontario has had a great competitive economic advantage in that its electricity supply has been looked after through something called "power at cost." Presently this Bill 118 further deviates from that concept. I am just wondering if you think power at cost was ever a worthwhile objective for Ontario Hydro.

**Mr Segel:** My feeling is that as OPIRG has suggested, we have never really taken into account all the costs. It is not just the cost of the cheap coal from Pennsylvania that is important any more. It may have been important 20 or 30 years ago, but we no longer say that is the only cost. We have to consider the cost of what happens to the SO<sub>2</sub> if we decide not to take it out of the stacks, which is an initial one, and the particulate matter and so on and so forth. I would like to think that we now think there is more than just the direct money involved, but rather all the other higher second- and third-order costs that are really important both for the province and for the globe to take into account. Therefore, it is the wider and larger picture that we need.

**Mr Arnott:** We have heard from many witnesses, though, that our relatively inexpensive source of reliable electricity through the power at cost principle was one of the economic advantages that gave Ontario a great deal of help as it industrialized in this century. Do you dispute that?

**Mr Segel:** It is possible that statement is true, but there is still a very large disparity between power at cost in the United States and power at cost in Ontario, so if a

company were deciding on power costs alone, Ontario would still have an advantage to offer.

**Mr Arnott:** My second question deals with the nuclear moratorium that was announced in the speech from the throne in 1990. I wonder what your position is on that particular aspect of the government's energy policy.

**Mr Segel:** I have been opposed to the nuclear power program for some time.

**Mr Arnott:** Could you explain on what basis?

**Mr Segel:** What did you mumble?

**The Chair:** I think it was a mere mumble. He did not intend anybody to hear it.

**Mr Segel:** It was a polite mumble. The origins of my opposition to nuclear power probably came around 1975-76 when I simply decided that the health risks involved in nuclear power did not warrant the benefits and that the consequences of a possible accident, some of which we have managed to realize in the last 16 years, fortunately not so far in Ontario, simply verify it is a risk that is not well taken.

**Mr Waters:** There has been much said here, throughout the hearings actually, about switching. It seems to me that my friends from the far side of the room have a real problem with the switching. Earlier on this evening it the "Live Better Electrically" campaign was talked about where Hydro subsidized, bribed, did whatever it could to get people to live better electrically and implied that there were great savings and it was going to be a wonderful life, which turned out not to be. Do you not feel it is just as fair now that Hydro help people get into something that is more energy-efficient, or do you have a problem with that?

**Mr Segel:** I personally do not have a problem with that. I see it as being to Ontario Hydro's benefit specifically, but I also see it being to the benefit of the province as a whole, in much the same way the Canadian home insulation program and the off-oil program were beneficial. It is a very narrow definition of the word "beneficial." It is beneficial in the sense that it is important we all start to consume less energy.

If this is a program that not only does that but saves everybody money at the same time, I do not really see how you can have an argument with it. I think what you are suggesting is, why should it be on Ontario Hydro's shoulders to carry this burden? In the back of my mind what I say is that people have objected to the present budget deficit by the current provincial government, but that deficit really looks kind of paltry compared to the \$30 billion deficit Ontario Hydro has incurred. I am not complaining about that deficit. I understand there is a capital structure that stands behind the deficit, and it is a deficit we all bear—somewhat less proportionately than we would like, but it is a burden we all bear—much in the same way we bear the deficit for the province.

It really will not make any difference whether the province says, "This is what we're going to do," or whether Hydro says, "This is what we're going to do," as long as the goals and the economies are there.

**Mr Klopp:** You talked about nuclear, and one of the things is the definition of "power at cost." Some groups have said here that the nuclear part of the structure of Ontario Hydro does not take into account the winding down of a nuclear plant and what it is going to do to with the spent bundles. Are you aware, from your background, that this cost is not figured into our figures?

**Mr Segel:** My information says yes, it is not figured in.

**Mr Klopp:** Would you have an idea what that cost might be?

**Mr Segel:** The numbers I have been able to read about say the wind-down costs of the generating station will probably be something between 10% and 30% of the construction costs. As to the long-term care costs for the spent fuel, I do not think anybody knows what that number is, because at the moment an appropriately safe technique that will carry us roughly, say, 10,000 years into the future to protect whomever happens to be living here simply has not been formulated. It may be that we simply have to cast them into concrete every 10 or 50 years and continue to do that in perpetuity, much like we get somebody in the cemetery to take care of the grass for ever.

**Mr Klopp:** But to the best of your knowledge, that is not figured into my electrical bill right now.

**Mr Segel:** That is right; it is not.

**Mr Klopp:** You think that should be figured in somehow?

**Mr Segel:** I think somebody ought to arrive at a not unreasonable number and say, "If this is the kind of electricity you want, this is what you're going to have to pay to get it."

**The Chair:** Does anybody else have any questions or any other matters?

**Mr Segel:** I have one more comment that was not directly in my talk. Earlier on with Paul Gervain there was an altercation about what the marginal costs of electricity are. I do not really understand why there is any doubt about what those marginal costs are. The Darlington nuclear station is an incremental, marginal cost. They said, "We're short of electricity, therefore we're going to build Darlington." Therefore, it is a piece you add to the system to satisfy demand which is at the margin. Darlington cost roughly \$15 billion. It supplies roughly 3,000 megawatts. You divide one by the other and you get something like \$5,000 per installed kilowatt of capacity.

If you think a home has 15 kilowatts for supply on the coldest day of the year, then Ontario Hydro has supplied you with that 15 kilowatts at the cost of \$5,000 per kilowatt, which gives you something like \$75,000. As far as I am concerned, that is the end of the story, and that does not take into account the operating costs and so on and so forth. That is just the capital cost of the station, \$15 billion divided by 3,000 megawatts.

**The Chair:** Does anybody want to respond to that?

**Mr McGuinty:** I will speak for myself personally. I am rather confused by the numbers and I keep going back to what Mark Twain said about lies. There are three kinds:

lies, damned lies and statistics. I hope that by the end of our tour here we will have had the opportunity to consolidate some of these numbers and come to understand them. Anyway, I appreciate your information.

**Mr Huget:** We have all heard this evening and every other evening that we have been sitting—it is very easy to blame Hydro as being the culprit here, but I think the issue is bigger than that. I think what is missing in this province is an energy policy that takes into account the wise use of all forms of energy, including electricity that is delivered by Hydro. I really believe that without a comprehensive sort of integrated resource policy that makes sense for conservation and efficiency, we are going to be a worse place if we do not implement those kinds of policies. I would just like your views on that.

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**Mr Segel:** I would support what you are saying, in the sense that you can talk about electricity now and the switch to gas and so on and so forth, but remember that when we talk about all those other things, and you can throw uranium in as well—the last testament I heard before they started the wind-down in the nuclear industry was that the kind of cheap uranium we are thinking about for the nuclear industry will power something in the order of 1,000 nuclear reactors around the globe. After that you get into really expensive uranium, which is prohibitively expensive, or you get into ultradangerous types of generation, fusion reactors or the breeder reactors and so on. We will not even bother talking about those. Those are clearly out of sight.

**Mr Huget:** Sounds like scary stuff.

**Mr Segel:** Right. I am not trying to frighten you; I am just trying to say they cost too much and are too dangerous. But the point is that when we talk about all the alternative fuels, we are talking about resources that have a finite limit. Therefore, it behooves us to think about conserving every last bit at the appropriate time to do it, which is starting right now. Yes, I think we should switch to gas, but then I think we should find better ways of making sure people use as little gas as possible. That is really what I am saying: a wider and longer perspective.

**The Chair:** Sir, the committee thanks you very much for your time and interest and expertise. You and others who have appeared here today illustrate why so many people are so concerned about the government relying on \$1,000-a-day consultants when there is a wealth of skills and talent in the community who are prepared to help and give advice and provide input. We are grateful to you and the others who have been here today.

#### WILDSIDE FOUNDATION

**Mr McKay:** Good evening. Peter Ornstein was to follow me tonight, but he got called to a council meeting near Brockville. He asked me to make a few remarks on his behalf at the end, if that is acceptable.

My name is Paul McKay. I am the founder of a not-for-profit organization called the Wildside Foundation, which has been established to develop renewable energy resources in Ontario and promote energy conservation technologies

and programs among remote and aboriginal communities. I currently also work for the northern Ontario environmental group Northwatch and the aboriginal Moose River/James Bay Coalition. I am on the board of the Independent Power Producers' Society of Ontario. This is the voice of Ontario's non-utility generation industry. I am also the author of the only modern history of Ontario Hydro, *Electric Empire*, published in 1983, the author of a biography of the late uranium mining magnate Stephen Roman, and a former senior policy adviser to the Ontario Ministry of Energy.

I give this introduction to underscore that I have had a long, keen interest in the issues raised by the Power Corporation Act amendments and that I have viewed this from every vantage point: environmental, non-profit, business, government and aboriginal.

The amendments address accountability and energy efficiency, two elements that have been glaringly absent from Ontario Hydro's corporate persona during the past quarter century. Hydro has become a construction juggernaut with a \$30-billion debt and a stable of platinum-priced nuclear workhorses that just do not work, while simultaneously leaving Ontarians with one of the most scandalous electricity consumption records in the industrialized world.

You have heard it before, but the numbers are worth repeating. Ontario residents use twice as much electricity per capita as those in New York state. Our ratio of electricity use per unit of industrial product is far below that of countries such as Finland, Germany, France and Japan. Virtually everything using electricity that has been bought or built in Ontario in the past 25 years—office towers, pulp mills, refrigerators, homes, lightbulbs, public buildings such as seniors' apartments and day care centres—wastes electricity on an appalling scale.

Let me give one example. In 1965, Ontario Hydro's monthly magazine proudly proclaimed that the first of the Toronto-Dominion Centre office towers in downtown Toronto was consuming, each eight-hour day, as much electricity as the residents of a city of 32,000 people. The reason? The building was built solely of glass and steel, which have no insulation value. In the summer the sun would pour in and bake employees, so the electric air-conditioners had to work overtime. In the winter the heat would simply fly out the windows. The office space was not only overlit to headache levels, with lights lined up within inches of the windows, but the electricians had not even bothered to wire in switches on each floor to turn them off, so they burned 24 hours a day.

The TD Centre is still standing and still wasting scandalous amounts of power. More important, the glass and steel format remains the standard commercial office tower design in Ontario. More of these towers are under construction now, partly because they are cheaper to build and the owners pass on the energy cost to the tenants and partly because energy conservation, sadly, for most office tower architects, ranks below what kind of shrubbery should be planted in the concourse.

There are two points here. The first is that Ontario Hydro has built and operated very expensive, dirty and

dangerous power plants to supply that badly designed building, and will for as long as the TD Centre stands as a monument to waste. The second point is that until very recently Ontario Hydro and its allies encouraged and even applauded this kind of insanity.

Ontario's grossly inefficient energy infrastructure is a testament to the lack of public accountability of Ontario Hydro. After all, accountability for a public agency essentially means doing the right job well. For a utility, that means helping its customers learn how to use the least amount of power necessary to do a given task and to provide that power reliably at a frugal but honest cost.

Given this standard, Ontario Hydro has done the wrong job with a vengeance and with an Imelda Marcos touch that has left a \$30-billion debt and interest payments of \$370,000 per hour. On top of that, the "Live Better Electrically" ethic has accelerated Ontario's pollution problems. It has led to more coal emissions, more uranium tailings, more high-level nuclear garbage which will remain lethal for centuries, more dams and flooded lands in aboriginal territories, and these external costs have not shown up on our Hydro bills, so we do not have even have honest power prices.

Clearly there is a yawning chasm between what the public needs and deserves from its utility and what has been delivered. There are some who would say Hydro is a *prima facie* case for privatization, including the Globe and Mail's new ghost editorial writer, Energy Probe, but I strongly disagree. One must consider the past and present notorious record of private utilities for predatory practices and consumer, or customer, gouging. For instance, the number of New Yorkers who love Consolidated Edison can be counted by adding Con Ed staff and shareholders, and they all live in New Rochelle.

I am also very concerned about the prospect of private coal, hydro and nuclear corporate lobbies using their economic and political muscle to fight or ignore environmental legislation, as they do with telling effect in the United States.

But the more direct reason is this: I cannot accept the premise that a public agency is beyond public accountability, because that calls into question whether democracy itself is irrelevant or expendable. It comes down to this: If we believe that we and the people we elect cannot compel a public agency such as Ontario Hydro to do the right job well, then we may as well not elect anybody. That is precisely what they are there for.

Interestingly, the very people who argue for the instant privatization of Ontario Hydro have leapt to that conclusion by assuming Hydro cannot be made publicly accountable, knowing that this has not been genuinely tried. I am convinced it is worth a shot. Hydro has become the juggernaut it has because the public and its MPPs were not paying enough attention to it and there were few avenues for either to compel it to change course. The way to reverse this is for the public and its MPPs to begin paying attention.

I am very pleased to see this committee here in Kingston doing just that in a modest way. To my knowledge, this is the first time a legislative committee has ever come to King-

ton to ask the public here what it thinks about Ontario Hydro. Does that not speak volumes?

The bottom line is that our MPPs have to take an accurate sounding of what the public wants Hydro to do and then have the Legislature issue public marching orders to Hydro. For this reason, I support the Bill 118 amendments because they enshrine the right and the obligation of our elected government to direct Hydro policy. It is important to remember that while Hydro has 30,000 employees, which just about equals the entire population of the Yukon, none of them are elected. Under our system of government, the policy directives must and should come from the Legislature. They should be public, and the public can then judge their merit at the following election.

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This is precisely not what has happened in the past. No one except Hydro and its electrical industry allies and suppliers, for example, decided that the "Live Better Electrically" campaigns over the past 25 years were a good idea. No one ever voted on it. Yet it was effectively the very heart of Hydro's policy and the foundation for a \$25-billion capital expansion program.

This unilateralism thrived in a climate where there was little vigilance or countervailing direction from the Legislature. When directives did come, they came in a secrecy which masked highly partisan politics. One now notorious example: In 1978, Premier Bill Davis, despite the objections of an all-party legislative committee and Ontario Hydro, ordered Hydro to sign a uranium contract with Denison Mines, which was then controlled by Davis's personal friend and Conservative Party patron, Stephen Roman. That contract, and a companion uranium contract with Rio Algom, was the most scandalous sweetheart contract ever signed between the Ontario government and a private company. One clause in the Denison contract stipulated that if any other uranium mine within 50 miles of the Elliot Lake post office ever made a higher profit than Denison, Hydro would make up the difference.

For the privilege of signing those contracts and purchasing made-in-Ontario uranium, Hydro ratepayers paid an extra \$1 billion during the last decade. They would have paid another \$1.2 billion in the next decade if they had not been cancelled by the current government. This is the price of secret policy directives.

The danger and the temptation for governments to use Hydro in this way will always remain, regardless of political stripe, as long as the secrecy does. I am pleased to see that the proposed amendments will compel Hydro to follow the policy direction set out by the Legislature and I believe the changes to the Hydro board structure will help to bring a broader public voice to the boardroom.

However, I see no explicit requirement for the cabinet or the Minister of Energy to publish the policy directives to Hydro. Accordingly I would like to see subsection 9a(1) amended to read, "The minister may issue policy directives that have been approved by the Lieutenant Governor in Council, and such directives shall be made public within 15 days of issuance."

Fuel substitution: I am convinced, as I hope this committee is, that most Ontarians want to shed their reputation

as the electricity addicts of the western world. They now know that making electricity on a mega scale is an expensive and dirty business. It means mega rate hikes and mega damage to the environment.

The fact that we are a province of 9.7 million power junkies is ironically both a curse and a potential blessing. It means we have created unnecessary environmental and financial problems where they need not have occurred, but it also means that by admitting we are substance abusers and by "just saying no," we can solve many of Ontario's energy problems by a full-bore commitment to "Live Better Efficiently" by kicking our habit.

The issue is not how many new mega power plants does Hydro have to build and how much will they cost, and the issue is not whether we should trade our dependence on one dangerous drug, nuclear or coal, for mega dams, out-of-province power or even natural gas plants. The problem is the addiction. So the real issue is, how many of the existing nuclear and coal plants can we retire, and how soon, by compelling Ontario Hydro to invest the same kind of money, technical muscle and professional pride it has devoted to its nuclear construction program?

All the evidence at every level confirms that Hydro's smartest, cheapest, cleanest and most reliable power should come from building megawatts instead of megawatts for the next two decades; that is, helping Ontarians turn this province upside down to find and fix every power-wasting home, office tower, public building, factory, farm, appliance, motor and lightbulb.

I am convinced that the combined gains from efficiency, industrial cogeneration and fuel substitution will allow Ontario to reduce its per capita electricity consumption by nearly half. This may sound like a return to shivering in caves and wearing fig leaves, but it means, in the residential sector, for example, that we will be at the same rate as New York state today. Put another way, it means Ontarians will have the same per capita consumption rate they had in 1965, the year that TD Centre tower turned on its switch.

This brings me to the fuel substitution amendments. Repealing subsection 56b(3), which legally blocks Hydro from reversing the "Live Better Electrically" era by helping customers convert to cleaner, cheaper fuels for space and water heating, is a fundamental requirement for maximizing efficiency and minimizing electricity waste.

As your committee has heard in previous meetings, electric space and water heating is just plain dumb. On the consumer cost side, a typical mid-age, single-storey, electrically heated home in Ontario had a 1991 fuel bill of near \$3,000. The fuel bill for a comparable natural gas heated home with a high-efficiency furnace was \$1,000.

Even more alarming is the environmental cost of that electric space heating load. To supply that customer, Hydro operates coal and nuclear plants which convert their potential energy into electricity at 34% and 29% efficiency respectively. There are further losses during transmission. The result is that at one end of the wire the customer pays a fortune for what is not getting delivered. At the other end, the greenhouse gases and sulphuric acid belch into the sky while nuclear poisons are created in each reactor core.

Why would any sane person advocate this? They would not unless they had a commercial interest in building those plants, such as the nuclear lobby, in supplying the electrical equipment at the plant and in the home and office towers, such as the Electric and Electronic Manufacturing Association of Canada, or in building thousands of chintzily insulated homes with cheap-to-install electric baseboards and air-conditioners. Sadly, like the junkie's dealer, there are some powerful lobbies that do profit from our addiction to electricity. The existing Power Corporation Act prohibition on fuel substitution is a testament to their considerable political influence.

I firmly support the repeal of subsection 56b(3) and its replacement with language that will allow Hydro to use all its resources to help its customers maximize efficiency, no matter what fuel is involved. In most urban areas, the conversions will be to natural gas, but all other fuels, including renewable fuels such as wood and solar hot water systems, will qualify under the proposed amendments and the proposed wording.

I would like to see an additional amendment under section 56b which states:

"The corporation may offer financial incentives for the conversion of electric heating systems to alternative fuels only where:

"(a) its customers agree to install the most efficient technology available within the limits of practicality and availability.

"(b) its customers agree to insulate the building structure where the conversion is to take place to the maximum practical level, prior to funds being approved for conversion to alternative fuels."

These clauses would reinforce the intent of the amendments, which is to maximize efficiency both in the amount and the type of fuel used by Hydro's customers. In effect, they would help transform Hydro from an electricity production and promotion company into an energy services company.

There are some compelling reasons why an ordinary citizen may conclude that Ontario Hydro is another public institution failure on a megascale, one which should be auctioned off to the higher private bidder as soon as yesterday. It is undeniable: Hydro has not been publicly accountable for decades and it has done the wrong job, in spades, for its customers.

But it is not all Hydro's fault. As long as Hydro's customers got cheap power and the lights never flickered, they were content to be asleep at the switch: If it ain't broke, don't fix it. So were the politicians who, hearing no noise from their voters, never ventured into the basement to discover that Hydro had become a 500-kilovolt Frankenstein.

The lesson here is that, as Ralph Nader says, "Democracy without vigilance is abdication." Given that Ontario Hydro has accounted for about three quarters of all capital spending by all levels of government in Ontario during the past three decades and that it was supervised by itself, should we be surprised that it has become an institutional renegade?

I believe we can reclaim Ontario Hydro. It has some very good things going for it: talented and highly professional staff and a deserved world-class record for reliability and access to every home, farm, factory and office tower in Ontario. These are indispensable assets for a province which wants to "Live Better Efficiently." All Ontarians are going to need plenty of help in kicking their addiction to electricity: what fuel to use, what furnace to purchase, what refrigerator to buy, what motor to install in a pulp and paper mill, how a city can cut down on its street lighting costs etc. This is not to say at all that Hydro should be doing all this for us. It should not. We do not need a conservation Big Brother any more than we need a nuclear Big Brother. We do not need platinum-plated compact fluorescents that save only meagre amounts of power, and a megabureaucracy to mail them out.

What we do need is for Hydro to make it easy for us all to do the right thing by providing conservation financing at cost in the same way that it now nominally provides power at cost. Instead of using our money, public money, to build itself new plants and then recovering the money through rates, Hydro should be loaning us our money to prevent them from being built.

But in order to achieve this, Hydro needs some things from us. It needs the right marching orders. It needs advice from all its customers on what their genuine energy needs are so that Hydro can then help design the best way to match them. In the past, Hydro was content to make no distinctions between energy whims and energy needs. It is up to us, not Hydro, to make that distinction in the future.

Finally, to do the right job well, Hydro needs vigilance from an informed, involved public. In a democracy, we know best, by definition. What is ultimately at stake here is the trust Ontarians have in their government. Citizens need to roll up their sleeves, take charge and insist that we know best what we need. The alternative is abdication and a future that leads only to more addiction.

2030

**Mr Jordan:** Bill 118 is really what is under discussion and I would be interested to know which sections of Bill 118, relative to the present act, you are most interested in.

**Mr McKay:** The policy directive and the fuel substitution amendments.

**Mr Jordan:** You feel the policy directive should come through the Legislature and be approved by it. Did I understand you correctly?

**Mr McKay:** Yes, absolutely. I think that as someone said earlier, or Winston Churchill said, democracy is a lousy form of government but it is better than every other one. Given the fact that there is no one elected in Ontario Hydro, it is ultimately the responsibility of the people we elect to set out the right policy directives. That is not to say the government should be involved in the day-to-day operations of Ontario Hydro or in the inside elements of how we deliver on those policy directives. But the direction, the thrust, should be decided by our elected officials.

**Mr Jordan:** What advantage would you assume the government sees in Bill 118 to have the right to have the

policy directive go directly to the Hydro board and then have the directors on that board not be responsible for their actions? It seems there is a duplication of authority here somewhere. If the decision is made in the Ministry of Energy, it bypasses the Legislature to the chairman and his board, and then they have to rubber-stamp it and are not accountable for their actions. Do you see some confusion there?

**Mr McKay:** I do not think that is an accurate way of describing, in my estimation, how it would work if the amendments are passed. I think that with my friendly amendment in terms of ensuring that the directive is made public, it will be heard and debated in the Legislature, will be debated in the press, will be debated in public.

**Mr Jordan:** I agree. But according to the way the bill is presently written, it would not be debated anywhere.

**Mr McKay:** That is true, and that is why I am asking for that friendly amendment. It would not necessarily be debated in the beginning. Under the current legislation and current practice it is the cabinet that makes decisions on policy directives to Ontario Hydro and they are issued through the Minister of Energy.

**Mr Jordan:** My interpretation of the way it is now is that the only person who is going to have to accept responsibility is the Minister of Energy.

**Mr McKay:** I fundamentally disagree with that. I think that even without my friendly amendment, the public is going to judge this government or any government of the day come next election time. If the issue of Ontario Hydro's accountability or its conservation or its nuclear program is near and dear to their hearts, they are going to vote based on what they think the government did in the previous four and a half or five years. If the public in general is satisfied with the directives that have been given, maybe they will be re-elected. If they are not happy, they will turf them out and that is how it should be.

**Mr Jordan:** But you are going to have to go through the Legislature; you would like to see them pass the test of the Legislature.

**Mr McKay:** As the person from the Ontario Public Interest Research Group said, I think the transparency here is the real issue. I think they should be aboveboard with their policy directives and I think the amendment here moves along that road.

**Mr Arnott:** Are you from the Kingston area or did you drive a distance to get here today?

**Mr McKay:** I live in Lansdowne, which is about 30 miles from here.

**Mr Arnott:** I appreciate your coming in. My question is with respect to the chairman's update of the demand-supply plan. When it was announced on January 15, the chairman indicated that \$6 billion would be used for demand management plans over the next 10 years. There has been a lot of concern expressed about the great Hydro debt, and \$6 billion represents a full 20% of that debt. Were that \$6 billion used to retire the debt, we would make a great dent in it. What I am just wondering and trying to understand is how the board and the chairman of Hydro plan to spend

the \$6 billion. If you had \$6 billion to spend on a demand management program, where would you start?

**Mr McKay:** I heard two kinds of questions there. First of all, I have some grave concerns about \$6 billion being spent by Hydro on conservation by the year 2000, in that time frame. It is a lot of money and I do not think they are ready to spend that kind of money intelligently or efficiently, so I do have concerns about that.

However, as I said in my presentation, I think with some educational help from Ontario Hydro, Hydro's customers can get up to speed very quickly. If you have a program where Hydro takes that \$6 billion and loans it to its customers and then only begins to recover the loan once the customer is saving more energy, or it has a positive cash flow from their energy savings, then in fact you are not doing any harm to the debt situation. You are helping the customer individually and protecting him against future rate increases.

**Mr Arnott:** So you would favour subsidized loans ahead of grants or free refrigerators or something like that.

**Mr McKay:** I do not like this word "subsidy" at all, because if it is a loan program and Hydro loans money out to its customers and recovers all the principal back plus all the interest plus the assigned value of money, then it is not a subsidy at all. It is public money being cycled to its customers and then back into the pot, if you want.

**Mr Arnott:** Presumably the interest rate on such loans would be less than the market interest rate.

**Mr McKay:** Hydro's borrowing rate is very good. It is better than prime.

**Mr Arnott:** At the present time.

**Mr McKay:** At the present time, yes.

**Mr G. Wilson:** I hope you brought some copies of Electric Empire. I am sure you sparked some interest.

**Mr McKay:** It is out of print.

**Mr G. Wilson:** Anyway, you gave a very good summary there. I really appreciate it and I think the rest of the committee did too.

I am thinking of the gap that appears to have arisen between Hydro's goals and what the people of the province really needed. What in your view led to that gap and how can it be overcome? I am thinking that, as you said, the people of the province ultimately had control over what Hydro did. They could have demanded that kind of accountability. How do we get beyond this, working through what people perceive as their needs?

**Mr McKay:** I think there are hundred of details on that, but the essence of it is for Hydro to accept the idea that the customer knows best, with some background and some educational material, and that it is the public's money.

Therefore, I would combine this loan program, because every person's house is different, every industrial facility is different, every municipality is different. Each has different energy needs. In some cases, it makes sense, in fuel substitution, to move from electricity to natural gas. In the rural area where I live, it makes sense to move from electric baseboards to wood or a wood-oil combination fur-

nace. It always makes sense, in the application, to insulate the structure first and do the proper job on that.

But if Hydro makes it easy for customers to do the right thing by providing these loans where they only have to pay back out of their positive cash flow, as far as the customers are concerned, nothing has come out of their pockets. They did not have to put up a nickel in terms of their own capital because it is sitting in a big pool at Ontario Hydro right now anyway. That makes it easy for them. It gets them across what they call the capital hurdle or the financial problems, especially in these recessionary times.

Then, if the cost of Hydro and the municipal electrical utilities—and this is very key; I think they are an indispensable element in delivering conservation properly. If they come and pay attention to their customers' needs without preconceived ideas of what kind of centralized program they are going to impose, then they will get the best of both worlds and maximum efficiency. You will get the big bang for the buck.

2040

**Mr Klopp:** I agree with your statements about the people who say, "Quick, let's privatize it." It almost says, as we have advocated, that we have never had it under control, which I think is a true statement and a sad one indeed. I believe you used New York state as an example of privatization and later I think I heard you say that if we do some good things, we will get our energy use down as much as New York state. Did I miss something?

**Mr McKay:** No, that is a good question. For 1,000 kilowatt-hours in New York City you pay \$118 a month. You pay roughly \$70 a month for the same 1,000 kilowatt-hours in Ontario. The single biggest reason why the residential per capita rate in New York state is half of what it is in Ontario is because no one in his right mind heats with electricity. When you take those 720,000 homes in Ontario and spread them over the entire residential sector, it doubles the per capita electricity consumption rate. It is a fairly blunt instrument, but in New York state the price of power has told the average consumer, "The last thing you're going to do is heat with electricity."

**Mr Klopp:** Basically you are saying that it maybe is not running power at cost in a lot of ways. It is \$118, but the people there are very energy-efficient. We could maybe have the best of both worlds here.

**Mr McKay:** I think this is a whole level of complication. The price of electricity in New York state itself is underpriced because there are a lot of external costs generating electricity, pollution costs that are not factored into the price of electricity.

**Mr Klopp:** It sure is the same as here then.

**Mr McKay:** It is blasphemy to say it, but prices in New York state should be even higher than they are. If we are going to be fiscally conservative, which I am, and believe there is no free lunch in environmental terms as well as economic terms, if the pollution goes out there, we are going to pay for it in our health bills, cleaning up acid-damaged lakes, whatever. There is no free lunch. We should be paying the shot honestly. If we were doing that, the price of electricity would be even higher in New York

state and they would be even further down the road to conservation than they are now, and they are way ahead of Ontario. As the price rises in Ontario, the same thing is going to happen.

**Mr Waters:** Going back to your comments, I just want to get something clear. Did you say that people should be able to access the loan or whatever only if they went to the most economical or energy-efficient alternative fuel?

**Mr McKay:** Yes. I should clarify that. We do not want to see people moving from inefficient electric baseboard systems over to a low-efficiency oil or natural gas furnace. We can talk about the politics that underlie this if we want to let our hair down a little bit later, but there is no doubt about it that the gas companies have a commercial advantage in the fuel substitution.

I think that as a quid pro quo for their getting benefits from this fuel substitution, they should be prepared to accept the proposition that Hydro will only help customers switch to natural gas or another alternative fuel if the alternative fuel you use is in the most efficient furnace and technology available, water heater or whatever, because we want to maximize efficiency. The gas companies and Hydro should both be playing by those ground rules. The gas companies do not particularly like the idea because they make their profits on volume.

**Mr Waters:** I represent an area called Muskoka, where we have an abundance of wood. You are saying that a rural person would not necessarily have to go to wood; he would have to go to the most efficient alternative form of fuel.

**Mr McKay:** Where available. In my rural area or in Muskoka, if the person chooses to go to wood, he has to get a maximum-efficiency wood stove.

**Mr Waters:** Could they choose to go to oil instead of wood?

**Mr McKay:** If they went to oil, then they would have to go to the maximum-efficiency.

**Mr Waters:** That is what I wanted to get clear.

**Mr McKay:** Yes, they have the whole range of fuels to use, but whatever their choice is, they have to pick the most efficient technology within that fuel category.

**Mr Huget:** Very briefly, I have asked a couple of the municipal electrical commissions that have appeared before the committee if encouraging their customers to heat with electricity was in their customers' best interest. They told me that yes, it was. You are saying that anyone who heats with electricity is out of his mind. Maybe you can explain that to me. This was supposed to be, the commissions are telling me, in their customers' best interests. Mind you, their customers are not quite saying that. I would like your views.

**Mr McKay:** I hesitate to attack municipal utilities or the Municipal Electric Association because, as I said, I think it is indispensable in delivering conservation in Ontario. They are the front-line deliverers, or should be in the future. I do not want to impair that by attacking them for past policies.

Maybe it is unavoidable, but the Municipal Electric Association—I have seen some of their presentations to this committee and I heard earlier this afternoon the presentations from Belleville and Port Hope—is not really being straight with the committee. The problem for the municipal utilities, if you look at their internal newsletters and listen to or read debates they have at their conventions, conferences and seminars, the real issue is that conservation makes rates go up. In the short term revenue goes down. They have fixed costs, rates are going to go up and they are going to get flak for it. That is a very real problem. They should be straight about it and then people can start talking about what is the best way to get around this, what is the best way to cushion the blow for utilities and deliver conservation at the same time. It is really an impediment now to moving forward on this whole thing and delivering conservation across the province.

Sorry, I am wandering here from your question. From their perspective, from the perspective of most of the municipal utilities, they identify the public interest with rates and they say to themselves—this is not dishonest. If they have one bottom-line job, it is reliability and it is keeping the rates as low as possible. When they see fuel substitution and conservation proposals, they get very concerned because they know that is going to make revenues go down in the short term and rates go up.

I think the answer is that we have to keep the customer in mind, not the rate, not the PUC officials or the managers but the customer. If the customer saves a lot of money by moving to an alternative fuel—natural gas in urban areas, for instance—if the rate goes up 15% because of that and their fuel consumption gets cut from \$3,000 a year to \$1,000 a year, they are going to love it and the rate increase is not going to be the thorny political issue it presents to the Municipal Electric Association right now. It is a real issue, though. It is a psychological issue, a political issue, a financial issue. It has to be looked at squarely. I am very disappointed that it has not been brought before this committee to date in that way, because that is really what is behind this whole thing.

**Mr Conway:** Thank you, Mr McKay, for a very stimulating presentation. As it happened, I spent some of the weekend rereading *Electric Empire*. Your presentation is as stimulating as your book. I would certainly recommend it to others on the committee. Can you just help me with a couple of basic questions? You were doing what occupationally between, say, 1 November 1990 and 5 June 1991?

**Mr McKay:** Why do you not tell the committee that? You know. I said it at the beginning of my presentation that I was the policy adviser to the Minister of Energy.

**Mr Conway:** I knew that and I wanted to just confirm it. I do not think you should be embarrassed about that at all, but I just make the point, quite fairly, that this is your bill. I do not think you should be embarrassed about that. I just think the committee should know that. From your point of view you have not done a bad job, but I think we should all know that and I have two questions for you following out of that.

**Mr McKay:** Hang on a second, now. I will ask the Chairman. If you are going to make a point, we will go through these one by one.

**Mr Conway:** No, I have 90 seconds and I just—

**The Chair:** No. This time, Mr Conway, I am giving you as much time as everybody else got. You might even get a little more.

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**Mr McKay:** As a matter of fact, I am the last presenter for the evening and I am prepared to sit here until 11 o'clock if Mr Conway would like to do that.

**The Chair:** So am I. Go ahead. If you want to respond, respond, and then we will have this exchange.

**Mr McKay:** I have two points. First, Mr Conway has apparently read my book. He would know that in 1983 I was proposing and promoting the idea of fuel substitution and increased public accountability. Second, you may have implied or you may think, Mr Conway, that I am a member of the NDP.

**Mr Conway:** No, believe me.

**Mr McKay:** I am not. I never have been.

**Mr Conway:** No, I know that, and that is immaterial.

The questions I wanted to ask actually had to do with two elements in the bill that really puzzled me. You may not be able to help, but I was struck. I was a very harsh critic of the bill as originally presented because I could not understand two things. I could not understand that unqualified directive power. The new minister has moved to put a fence around that in a way I think is sensible, but I was really puzzled, given what the government had said. I heard Ms Carter and I think she clearly meant what she said, that she wanted this bill to exact a greater degree of accountability out of Hydro than had been the case, and wanted more openness. I thought, that is really peculiar. How did that initial section get written as it did?

The other one is at a much lower level. Quite frankly, I do not know how it happened. I was stunned that the original section was written as it was and not at all surprised that it was changed. My own personal belief is that the cabinet never really intended some of the sweeping possibilities that were immediately attached to the original section as written. But my question still remains: How the hell did that ever get written as it was originally written and presented? It may be a breach of your previous responsibility, and I would understand that.

**Mr McKay:** It is.

**The Chair:** Wait. Are you asking—

**Mr Conway:** No, that is in a sense a rhetorical question. I was really struck by that. I thought, why did that happen? I respect your oath of confidentiality.

**The Chair:** You do not want him to comment on that in general, in terms of what perhaps in his mind the legislation is intended to achieve?

**Mr Conway:** My question is more specific than that.

**The Chair:** I know that.

**Mr Conway:** I have to take the minister at her word on what she intended, and I accept that, but I then read in

one of the critical sections of the bill something that is just a gaping hole, not nearly as bad as many of the naysayers would have imagined but none the less there.

**Mr McKay:** It is as gaping as you want it to be if you are trying to make partisan hay out of it. The idea that Ontario Hydro would be used in some way to bail out the SkyDome, for instance, is utterly preposterous. You can read that piece of legislation. It does not forbid Ontario Hydro from getting involved in the SkyDome, but to read that in as a virtual certainty, as was proclaimed in some of the MEA ads, or even a possibility, as was suggested in the Legislature, is really stretching a point.

**Mr Conway:** I have just finished Jack Saywell's wonderful book on Mitch Hepburn, the best sections of which I think deal with Hydro. Arthur Roebuck's behaviour as Hydro minister and Attorney General for this province were absolutely incredible. One of the things that reading has me thinking about is that when someone who is perfectly fanatic about Hydro, as Arthur Roebuck was—he was unbalanced. He was prepared to do and advise things that were irresponsible in the extreme. He happened to have been a minister of the crown, the minister of justice and minister responsible for Hydro. So there is some very recent evidence to make me not so willing to accept what you have just said.

The other thing I would observe, and you rightly make the point about those Denison contracts, and they were—

**Mr McKay:** Which you objected to at the time.

**Mr Conway:** I was not on the committee but certainly I sat in. I am probably the only member here who was there at the time and I had some critical things to say at the time. I remember saying them, and I said them quite frequently outside the Legislature.

But one of the things I would take issue with in that whole controversy is that those contracts, to a substantial extent, were written in the broad light of day. It was no secret what was going on. They were widely canvassed in that select committee and they were the subject of months and months of public attention, and I well remember, a very substantial part of the 1981 provincial general election result.

I suppose I was on the losing end of that argument, but it was certainly not, in the main, a particularly great secret. I suppose the public was not involved in the discussions between Denison and the Ontario government. I would dispute somewhat your presentation that it was all done behind closed doors. There was an awful lot of that done openly, and our system, imperfect as it is—it appears to me that the government of the day, certainly both in that legislative committee, in the Legislature itself and later in the general election, won more than it lost, or won enough to carry the day whether I liked it or not.

**Mr McKay:** I will address your second point first. It is true there was considerable public debate about the Denison contracts, but the committee members never saw the contracts. During their examination of it between January 1 and February 28, 1978, they never saw the contracts. What they had was a number of consultants hired who did reviews of the contracts and gave their analyses to the

committee members and to the select committee staff, but the actual members of the Legislature who sat on that select committee did not see the contracts.

**Mr Conway:** There was a great deal of stinging criticism around those contracts. It was not the case that the government was unscathed. In fact, I remember a great deal of abuse being directed at the government with a fair degree of specific data about just how outrageous these contracts were.

**Mr McKay:** If I can say so, the Liberals, in their dissenting opinion in that select committee report, were bang on, but let me also say that what the public did not know, and what was never disclosed in the Legislature, was that Ontario Hydro was opposed to those contracts. I collected the evidence in my biography on Stephen Roman. Ontario Hydro's lawyers read those contracts and they were opposed to the contracts because of those scandalous clauses, and they were vetoed by the Premier.

While there was a public debate, it was not a terribly informed public debate. It did not focus on what have proved to be some of the fatal issues in that contract, and the secret is the public was not served by that position.

**Mr Conway:** My final point would be simply that I think you make a very strong argument. When I raised the question about your participation in the bill I am sure it sounded a bit mischievous; it was not intended to be such. I must say that you did have an involvement in this, and I think it is fair for everyone to know that. You should not be embarrassed about that. But I look at this paradigm and I say to myself, "How is this a situation that is fundamentally different than the example you have just spoken to or the example Jack Saywell has brilliantly depicted, where another Hydro minister systematically ignored the advice he was getting from the dispassionate professional staff who kept saying: 'Mr Roebuck, you are wrong. This is not going to work. You are advising a course of action here that is completely at odds with our best professional advice, and you are putting the government, the Legislature and the province in a very difficult position.'"

**Mr McKay:** I agree with you, Mr Conway.

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**Mr Conway:** I look at the new paradigm and I say, "Now I know the hope is there," but I am not at all convinced we have dealt as completely as many feel with some of the potential abuses that exist.

**Mr McKay:** I agree with that and I did not say in my presentation that this is a sufficient condition for accountability, but it is a necessary condition for accountability. There are many more steps that have to be taken to make Ontario Hydro truly accountable. As there was before these amendments came forward, there is the potential problem of a megalomaniac as the Ontario Hydro chair. There is the potential problem of a megalomaniac as the minister, such as the case you are citing, and these amendments will not foreclose those possibilities. I agree with that.

There needs to be much more done. There needs to be a permanent committee, a standing committee of the Legislature on Ontario Hydro so that opposition members can

hone proposed legislation and policy directives by adding their input. There should be a mechanism for publicly choosing Ontario Hydro board directors. It could be through a legislative committee. It could be a search process that is agreed to by all the parties of the Legislature.

The operations of the board itself, except for obviously professional employee situations and certain business contracts, should be much more public. The Ontario Hydro chairman's salary should be a matter of public record. Citizens should be able to go in and find out what the directors are being paid and how often they are at meetings. There should be public minutes, except for the in-camera sessions, made available. The press should be there, which is not the case now. There has to be a lot more done, but that is not to say these amendments are flawed.

**Mr Conway:** A final observation, Mr Chairman: Perhaps the witness would care to speak to it. There are many things we could talk about, but one of the observations I would make is that any Legislature and any cabinet in which I have sat—I think they would, to a certain extent, be representative, some perhaps more than others—would find it very difficult to provide the level of detailed accountability around many of the complex issues the energy debate necessarily involves. Some people who are much more knowledgeable than I nod very vigorously in the negative, but that is simply my sense of things given how busy cabinet ministers become, how necessarily generalist are most members of the Legislature.

Some of the testimony we have heard has suggested that the Ontario Energy Board should be given a strengthened mandate to at least assist the government and/or the Legislature in sorting out a variety of the competing analyses.

I do not know about other members. I have sat here and listened fairly carefully over the course of many days. I bring no special knowledge to this debate, and I must say, at the end of three weeks of testimony, I am not sure who to believe. It reminds me of one of those great theological debates in the Reformation. I clearly understand the fervour with which the three sides have advanced their case, but it is not clear to me how I might decide many of the second- and third-tier questions.

How would you feel about a significant increase in the mandate, the scope of the energy board in some of these matters?

**Mr McKay:** I am happy to address that, but before I do I want to say that you seem to be assuming Ontario Hydro is going to be the kind of institution in the future that it is today, and I hope it is not. I believe if we can get on to an ethic of living better efficiently and introducing renewable fuels and advanced technology such as hydrogen batteries and that kind of thing, the monolith of today will be a much shrunken entity 20 years from now.

For that reason, the pressing issues of accountability with Ontario Hydro and the questions you are raising about the relationships between the Minister of Energy and the chair and that kind of thing will be much less pressing because it will be a smaller entity, but in the meantime it is important to have regulatory oversight of Ontario Hydro. As I said, a standing committee on Hydro affairs would be

ideal. An Ontario Energy Board combined with cross-appointments from the Environmental Assessment Board would be a good idea so that one body could evaluate the details of implementation and demand site management, non-utility generation, fuel substitution, that kind of thing, but also could look at the planning horizon and make assessments.

This 25-year hearing is a megahearing and it has a lot of deficiencies simply because of its structure. Something with a shorter time line and a fixed frame or a fixed radar screen would be much more effective. If it had the legal mandate of the Environmental Assessment Board in terms of screening projects and the technical expertise of the Ontario Energy Board on Hydro affairs that has been built to date, that would be a good option.

**Mr Conway:** One last point—

**The Chair:** Mr Conway, I do not want to interrupt, but I am telling you Mr McGuinty wants to ask a question.

**Mr Conway:** Just one last point then: I will ask my friend, because he has very detailed experience, a lot has been said—I have almost felt sympathetic to a lot of the witnesses who rightly look at the structure of the Ontario government and imagine the Ministry of Energy as being a significant player. I am going to say something provocative perhaps, but probably in the last 30 years it would be my guess that with the exception of Bob Macaulay and Darcy McKeough—

**Mr McKay:** Hugh Macaulay?

**Mr Conway:** Bob Macaulay, who served as a very influential political figure. He was vice-chairman of the Hydro board and effectively the Minister of Energy in the Robarts government until he left politics in 1964. He went on later to serve as the chairman of the Ontario Energy Board. With the exception of Macaulay—and McKeough spent a relatively short period of time at the Ministry of Energy—it would be my submission that the real ministers of energy, or to put it another way the effective Hydro ministers in the Ontario government, have been the Premier and the Treasurer, both of whom in my experience and my understanding of those governments of which I was not a part played an enormously influential role, if not in the day-to-day affairs of Hydro, I would say in the week-to-week affairs of Hydro.

I do not think that is very well understood. I do not think people understand the extent to which a Premier's office is deeply involved in the affairs of Hydro, and the Treasurer of course by virtue of the provincial credit that is involved. Would you care to comment on that? Would you

also care to comment that perhaps that paradigm continues, not necessarily in a bad way?

**Mr McKay:** Speaking in general, I think I disagree with you. When Darcy McKeough was the Minister of Energy, he was also the Treasurer.

**Mr Conway:** No, he was not. He resigned the Treasury because of his conflict of interest, and he came back. That is part of my argument.

**Mr McKay:** I would argue that he was the effective Treasurer then, because he stepped into Hydro and then moved back to his Treasury position. You are correct on that. He was a very smart, astute guy. I would argue that he was probably the savviest Minister of Energy in the 1970s and 1980s. He was one person who was not afraid of taking on the Hydro technocrats.

I cannot speak for the Liberal government. Obviously I was not there and you were. If they did have week-to-week involvement in Hydro affairs, they did not do a very good job. The debt between 1983 and 1990 went from \$13 billion to \$26 billion—double.

**Mr Conway:** I believe, rightly or wrongly—

**The Chair:** Mr Conway, you cannot say this is your last question and then keep on going. That is an interesting way of doing business.

**Mr Conway:** A fair point.

**The Chair:** Mr McKay, have you completed your remarks? If you have, Mr McGuinty has—

**Mr Conway:** But I believe, if I might add, that Marc Eliesen and Bob Rae are very much in John Robarts's debt.

**The Chair:** Mr McGuinty does not have a question any more because Mr Conway just asked it.

Mr McKay, we thank you very much for your attendance here this evening. Once again, people across the province have been generous with their time and expertise. There has been a lot of constructive debate and discussion going on here.

I should tell people that it is not just the members of the Legislative Assembly here, but staff like Lewis Yeager from the legislative research services, Tannis Manikel from the Clerk's office, Pat Girouard from Hansard and Clayton Hatfield and Jim Petselis who work hard at making this committee work as it travels about. Also, we all want to thank Kingston for its hospitality and graciousness in having received us and taken care of us today.

We are adjourned until Chatham, tomorrow, at 1 p.m.

The committee adjourned at 2111.

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## Official Report of Debates (Hansard)

Tuesday 28 January 1992

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Première intercession, 35<sup>e</sup> législature

## Journal des débats (Hansard)

Le mardi 28 janvier 1992

### Standing committee on resources development

Power Corporation  
Amendment Act, 1991

### Comité permanent du développement des ressources

Loi de 1991 modifiant  
la Loi sur la Société de l'électricité

Chair: Peter Kormos  
Clerk: Harold Brown

Président : Peter Kormos  
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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday 28 January 1992

The committee met at 1300 in the Wheels Inn Resort and Conference Centre, Chatham.

### POWER CORPORATION AMENDMENT ACT, 1991

#### LOI DE 1991 MODIFIANT LA LOI SUR LA SOCIÉTÉ DE L'ÉLECTRICITÉ

Resuming consideration of Bill 118, An Act to amend the Power Corporation Act / Projet de loi 118, Loi modifiant la Loi sur la Société de l'électricité.

#### ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO DOW CHEMICAL CANADA INC

**The Chair:** It is 1 o'clock, which is when we are scheduled to start, so we will. The first group participating this afternoon is the Association of Major Power Consumers in Ontario. We have 30 minutes for you, gentlemen. We expect to hear your comments of course. Please try to keep them under 15 minutes so that you reserve at least 15 minutes for questions and discussion, which is an important part of this process.

**Mr Johnson:** My name is Ron Johnson and I am the manager of government affairs, Ontario, for Dow Chemical in Sarnia. It is my pleasure today to accompany and introduce Don Dukes. Don is the manager of our safety, health and loss prevention activities at the Sarnia division, also the hydrocarbon wells operation. He will be making a presentation today on behalf of Dow and AMPCO. Although he is manager of safety and loss today, Don spent many years and is still involved with both the consumption and production of power at our Sarnia division. He is well qualified to speak to the subject of power generation and cost.

**Mr Dukes:** As Ron said, my name is Don Dukes and I represent the Sarnia division of Dow Chemical Canada Inc. As a member of the Association of Major Power Consumers in Ontario, commonly known as AMPCO, Dow believes in the group's mandate to obtain for its members economic and reliable power produced in an environmentally sound manner. Like other AMPCO members, which I am sure you have heard previously, we believe the provisions in Bill 118 counter this mandate and consequently should not be approved.

A little about our background: Dow Chemical Canada Inc is a wholly owned subsidiary of the Dow Chemical Co based in Midland, Michigan. This year we celebrate Dow Canada's golden anniversary of operations in Canada. We came in, along with Polymer, as part of the Second World War effort to help overcome the rubber shortage. Our corporate headquarters are located in Sarnia. We have four manufacturing operations located in the province as well as in Alberta and Quebec. Dow's decision in the late 1940s to expand in Sarnia, Ontario, was driven partially by the

availability of a plentiful supply of power at competitive rates. Granted that was not the whole reason, but it was one of many.

The Sarnia division manufactures plastics and basic chemicals which are sold to both domestic and export customers for use in end products such as refrigerator linings, automobile applications and many others. For industries like Dow to survive in Ontario, we must be able to look beyond our neighbours and trade competitively in a global marketplace. To help us with that we must have economic power.

Looking at our cost and competitive position, over the years Dow Canada's competitiveness has been challenged in part by the ever-increasing cost of power. In 1991 power consumption at the Sarnia division averaged approximately 140 megawatts, of which we bought about 10% from Ontario Hydro. Over the years we have countered this growing cost by generating our own power through a very efficient cogeneration process. However, to remain competitive, Dow Canada and our customers rely on Ontario Hydro to provide power at competitive rates.

Further efforts have been taken in the past two decades to increase Dow's energy efficiency, lower costs and improve environmental performance. For example, we have had a very active energy conservation program over the years and have been participating in the voluntary Canadian industry program for energy conservation, known as CIPEC, reporting system, which is sponsored by the federal Department of Energy, Mines and Resources. This program covers all forms of energy, not just electricity, and uses a conversion factor of 10,000 BTUs for each kilowatt of electricity purchased.

Just to explain for people who may not understand that, it goes back to the basic fuel used to generate the electricity in something like a fossil-fuel station, such as the Lambton generating station. It allows for the efficiency of generating electricity. In measuring our energy efficiency, everybody in this program goes back virtually to raw fuel. If we do it internally, we take the actual efficiency of our plant.

Referring to Bill 118, proposed changes in Bill 118 threaten the competitiveness of AMPCO member companies. This in turn threatens the economic stability of the communities in which we operate by jeopardizing employment, new industry and future investment. At a time when a record number of Ontario manufacturers are closing the doors or moving their production sites outside of Ontario, we must dedicate our efforts to minimizing, not increasing, costs.

There are three elements of the proposed amendments to the Power Corporation Act which cause particular concern. The first one relates to the principle of power at cost. The principle that the people of Ontario should pay for the

costs of generating and delivering electricity and only those costs must be preserved. Already Ontario has some of the highest power rates in Canada. Indirect taxation by means of charging Ontario Hydro water rentals and debt guarantee fees already add significantly to the cost of electricity.

If passed, Bill 118 will enable the government to direct Hydro to include in its rates the cost of programs not directly associated with the generation and transmission of power. For example, in the case of Elliot Lake and Kapuskasing, Ontario Hydro has already been directed to commit something in the order of \$500 million in community support. This represents a 5% increase in rates, based on Ontario Hydro's projected revenue for 1992. Granted it is not all being charged in 1992. This is just an equivalent example.

We oppose this. We sympathize with the plight of these many communities hit hard by the recession, but we feel that Ontario Hydro is not a social assistance institution. Any of its revenues for this purpose are misdirected, in our opinion. The Ontario Energy Board supports our position in its report on the Ontario Hydro rate hearing, HR 20. This is the one held last year. On page 188 of its report it states, "There is a general principle for public utilities that social policy initiatives should be left in the domain of government rather than reflected in the rates charged by public utilities."

The next item I would like to address is directors' accountability. The role of any board of directors, not just Ontario Hydro's, is that of a watchdog. They challenge new policies in the interest of the various stakeholders and manage change in the light of organizational values and mandates. Under the proposed changes to section 9a of the Power Corporation Act, subsection 9a(1) states, "The minister may issue policy directives that have been approved by the Lieutenant Governor in Council." Subsection 9a(3) goes on to say, "The directors shall ensure that policy directives are implemented promptly and efficiently."

In addition, subsection 9a(4) states, "A director is not accountable for any consequences arising from the implementation of a policy directive." To excuse an Ontario Hydro director from accountability for "consequences arising from the implementation of a policy directive" as long as "he or she acted honestly" is to remove responsibility to the very people it serves: ratepayers and ultimately the general public. In our opinion, this proposed change should be rejected. Without a body in place representing stakeholder interests, we are vulnerable to government directives on key policy matters at the expense of the ratepayers.

Finally, on fuel switching, Dow generally opposes any provision forcing Ontario Hydro to finance the cost of switching to fuels other than electricity. This runs counter to the principle of power at cost because ultimately ratepayers will be funding this subsidy through higher electricity bills. If switching to alternative fuels such as natural gas makes sense given the situation, we support such a move. Businesses which can economically justify switching, in this case, the gas companies, should be encouraged to subsidize the move instead of Ontario Hydro. Everyone from AMPCO companies right through individual home

owners will be forced to swallow the costs of Ontario Hydro subsidization without necessarily benefiting from it.

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Dow is just one company you have heard from during these hearings that has dedicated time and resources over decades to become more energy-efficient. But reducing electricity consumption is not the only way to achieve this goal. Often a total energy conservation program can result in the demand for extra electricity. For example, as you already heard at a previous hearing, Inco has reduced its total energy use by 23% since 1981, but in doing so its net use of electricity has actually increased. They still have a net energy reduction, though.

At Dow, the Sarnia division used 40% less energy in 1990 for each pound of product produced compared to equivalent pounds in 1972. The decision to increase energy efficiency by using different forms of fuel should be up to the individual user. It should not be legislated on us at our expense.

In conclusion, the potential for Dow Canada, the chemical industry and other members of AMPCO to remain a vital part of Ontario is being jeopardized by uncertainty surrounding government policies on economics, labour, environment policies and the subject of this hearing, the supply and cost of energy. In the case of electrical power, we believe Bill 118 will adversely affect the principle of power at cost and consequently the competitive position of Ontario industry. In our opinion, it should therefore be rejected. I thank you for the opportunity to present this brief.

**The Chair:** Thank you, gentlemen. Before we move on to questions, new people have come in and I would simply ask them to note that there is coffee and juice and perhaps tea against the wall there for you. Make yourself at home and feel free in pouring yourself some.

This committee is a standing committee of the Legislative Assembly. All three parties are represented here. Among the Liberal caucus is Dalton McGuinty, the Energy critic for the Liberal Party; among the representatives of the Conservative Party caucus is Leo Jordan, the Energy critic for that party, and among the persons here on behalf of the New Democrats, the government caucus, is the MPP for Sarnia, Bob Huget, who is the parliamentary assistant to the Minister of Energy. We try to divide the time equally among the three caucuses for questions and conversation.

**Mr McGuinty:** Thank you, gentlemen, for your presentation. One of the opinions offered yesterday by a witness who appeared before the committee was that major power consumers are energy gluttons. It would appear from the information that you have provided in here that this is not in fact the case in the sense that it seems to me that you have been motivated by dollars, a very powerful force, which is compelling you to take advantage of every reasonable advantage that would lend to greater energy efficiency usage. I would like you to comment a bit on that for me, please.

**Mr Dukes:** I agree that the drive now has very much become dollars over the past 10 or so years, but if you go back initially to the early to mid-1970s, the oil crisis about

that time I think really got all of our attention and initiated a lot of the energy conservation programs. If you refer to the year-over-year results in CIPEC which cover various sectors—granted this is Canada-wide—you will see that all industries have been very active opposite energy conservation. Speaking for my own company at the present time, yes, the drive to save dollars is a very big factor, because we are looking at any way we can remain competitive. Energy conservation is definitely one way of saving money.

**Mr McGuinty:** For instance with the Dow plant in Sarnia here, what further inroads could be made? What are you not doing that you could be doing?

**Mr Dukes:** We are getting down to some very hard things now. If I can just back up a bit, we have done the easy things. There are things we are doing on an ongoing basis. Where we get any new motors, they are going to be high-efficiency motors. If any new lighting schemes are put in, we will certainly look at the highest-efficiency lighting schemes going around. A lot of the easy things, like simple steam trap maintenance, we have looked after. It is getting to a stage where we are having to really look at technology which can use major dollars for the next stage of energy savings.

**Mr McGuinty:** Ontario Hydro recently amended its demand-supply plan, which is going to attempt to establish the needs for meeting our electricity requirements for the next 25 years. They call it an update, but I think technically it is a very significant amendment. Whereas Hydro was telling us in 1989 we would be able to conserve some 5,700 megawatts, now they are telling us we can almost double that. We should be able to save 9,900 megawatts, and as a result, we have been able to forestall or delay construction of large supply plants. Can you comment on that? Do you feel that is reasonable or unreasonable? Do you think we could be conserving more, or whatever?

**Mr Dukes:** I am really concerned about it, because I think it is an overambitious target. This is one of the most ambitious programs ever put together in North America. I will not say compatible, but near-compatible programs, have struggled. At the last AMPCO board of directors meeting we were talking to some representatives from Hydro regarding the contingency plans if they do not meet those targets in a timely fashion. We have some concerns that they had sufficient plans in place. We personally feel those targets are overambitious. They are not based on fact.

Looking at the various sectors, industry has done a lot so far. In answer to your previous question, in common with a lot of people, it is technology we are going to be getting into to make changes. Some of the strides that could be available are in the commercial and residential sectors. I am not sure how landlords or individual home owners are going to react to such programs, because they are very much on a voluntary basis.

**Mr McGuinty:** I want you to tell me what you think would be the reaction of shareholders in your corporation if you were to tell them that the directors were to be ab-

solved of liability if they were performing certain kinds of actions.

**Mr Dukes:** There would be very much a loss of confidence in the board. I do not think the shareholders could believe that sort of thing could happen. They look on the board of directors as their representative on the decision-making body.

**Mr Arnott:** Thank you very much for your presentation this afternoon. You said that about 90% of the power used by Dow Chemical is supplied by yourselves through a cogeneration process. Could you tell me more about how your cogeneration process works?

**Mr Dukes:** Yes, we have two gas turbines which actually produce power themselves; they drive generators. They feed into waste heat boilers that would produce steam and also feed water heating to help some fire boilers. The resulting high-pressure steam is then passed through two steam turbines, exhausting at the pressure of steam required in our plant. All the steam produced is either used in our plant or in some small quantities actually sold to our neighbours. Out of that result is a supply of electricity which, as I mentioned, supplies 90% of our needs at an efficiency somewhere between 75% and 80%, compared with an efficiency of an average fossil-fired station of about 38%.

**Mr Arnott:** Could you envision a time, say, if Hydro rates went up 44% in the next three years, that you would find it economical and consider expanding that cogeneration process?

**Mr Dukes:** It certainly would be looked at. We have one gas turbine mothballed at the present time. We are taking an active look at what we should be doing over the next few years. We have no definite plans as yet, though.

**Mr Arnott:** An observer looking at your situation fairly superficially might conclude that if you are supplying 100% of your own electricity needs, then the rate of power should have no bearing on investment decisions made at your plant. Would that person be wrong?

**Mr Dukes:** I think so because, first of all, we are not supplying all our power at the present time, so the next increment of production is using Ontario Hydro's power. The second thing is that we produce things used by other people in their processes. In order for us to be competitive we have to have competitive customers. Unless they have a competitive power supply, they are not going to be our customers in the long run.

**Mr Arnott:** Your parent plant is in Michigan. Does it pay less for electricity than we do in Ontario?

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**Mr Dukes:** I am not sure of my facts here, but I believe they still pay more.

**Mr Jordan:** Thank you for your businesslike presentation relative to Bill 118. Going to the directors' accountability, thinking about it and taking into consideration that Ontario Hydro has a research division, an engineering division and an environmental section, who is going to have the input, steering and direction of Ontario Hydro? The

directors are not accountable. How do you see this thing working?

**Mr Dukes:** In very simplified terms, government is going to provide the input, and the engineering and the research and development groups are going to do as directed. It gives me a great deal of concern. I feel Ontario Hydro has a very competent set of engineers. They certainly know their business in the generation and transmission of electricity. I would have thought they would have been the people recommending stuff to the board of directors and, from that, the board making economic decisions and what it feels is good for Ontario Hydro and the people of Ontario, being a crown corporation. Does that answer your question?

**Mr Jordan:** Yes, it does. Government is not just made up of the party with the majority. To me, government is made up of all three parties. Do you not think it would be a democratic requirement that any policy directive should come through the Legislature rather than just a direct bypass?

**Mr Dukes:** The simple answer is yes, I do.

**Mr Jordan:** I understand, though, by this policy in Bill 118, that is not going to happen.

**Mr Dukes:** I read it the same way you do. The Minister of Energy, through an order in council, goes directly to the board and bypasses the Legislature.

**Mr Jordan:** So once he takes a directive to cabinet and has cabinet approval, it becomes an order. They must carry it out effectively, immediately and they do not necessarily have to be accountable.

**Mr Dukes:** That is the way I read Bill 118.

**Mr Jordan:** Do you think the bill can be amended or should it be withdrawn?

**Mr Dukes:** I think there are enough flaws in that bill that it should be withdrawn and you should start from scratch again, if necessary. I am not even sure it is needed.

**The Chair:** We should say hello to Jim McGuigan, the former member for Essex-Kent. Thanks for your interest. You have sat on many of these.

**Mr Huget:** Thank you both for your presentation. It is nice to see both of you again.

I want to start off with the Elliot Lake issue. You mention in your presentation that you are sympathetic with the plight of many communities hard hit by the recession. The recession has nothing to do with Elliot Lake. Elliot Lake is a creature of Ontario Hydro. If you can assume or agree with that for a split second, would you not feel that Hydro has some corporate responsibility in Elliot Lake on its way out the door, since Elliot Lake is a creature of Hydro?

**Mr Dukes:** It is not really a creature of Hydro, it is a creature of uranium. The way I understand it, Elliot Lake went into a commercial arrangement with Ontario Hydro with certain provisions in the contract. Ontario Hydro has not violated the terms of that contract. It has given due notice. We have gotten to a stage where this community is falling on hard times because it has been a one-industry community. I believe if help is needed it should come from the government, not through the ratepayers of Ontario Hydro.

**Mr Huget:** You mention in your presentation that any use of revenues for purposes like Elliot Lake are misdirected, in your opinion. Would the several times the world price Hydro was paying for uranium out of Elliot Lake be a misdirected use of revenues?

**Mr Dukes:** It was commercially negotiated. I do not think it was negotiated as a social factor. Granted I would much rather see Ontario Hydro buy uranium at the world rates, which would again reduce the actual cost of power. As far as I could tell, and I am not too familiar with the negotiations, it was a commercial negotiation, not really a negotiation to subsidize the community of Elliot Lake.

**Mr Huget:** I want to move on to the potential for energy conservation and efficiency in industry. I have the view that there is a lot of potential. I would like your views on that. You mentioned specifically some of the things Dow Chemical has been doing, but I know you have a broader experience than that and I would like you to tell me whether energy efficiency and the goal of making Ontario the most energy-efficient jurisdiction in North America by the year 2000 is worth pursuing.

**Mr Dukes:** I think it is worth pursuing. Whether the levels of energy conservation that have been forecast can be met is the one I disagree with. For the economy of Ontario, I agree with your philosophy that we need to be energy-efficient. We cannot afford to waste energy. A lot of the forms of energy are not there for ever, among other things.

As I mentioned to a previous questioner, a lot of the easy things in industry, whether Dow or other industries, have been looked after. We are getting into things where it is going to take technology change and a lot of money to do it. I am not saying there is no room for improvement; I think there is still room in all our plants. If we look hard, we can find some things. I think you know from your own background, looking at your previous company, that there is room, but it will have done a lot, the same as Dow Chemical and many others. If you read the annual reports the Canadian industry program for energy consumption group put out, you will see there have been a lot of strides made by industry in all classes. As I mentioned previously, I feel a lot more can be gained on the commercial and residential side than in industry today.

**Mr Huget:** Would I be safe in assuming that overall it is a goal worth pursuing from an industrial competitive-point of view and a consumer point of view?

**Mr Dukes:** It saves dollars, as I was just saying to Mr McGuinty.

**Mr Huget:** One final point: I would like your opinion on whether you would agree that building excess supply represents extra costs, like having extra inventory.

**Mr Dukes:** Yes, I would agree on that.

**The Chair:** Thank you very much. These hearings have been taking place throughout Ontario for the last few weeks and the committee has been very impressed—perhaps not surprised, but none the less impressed—at the amount of interest the bill has generated and the wide range of views covering the whole spectrum of opinion. You have

made a valuable contribution and you obviously piqued some interest in some of the issues you have raised. We appreciate that and are very grateful. Please feel free to remain for as long as you wish this afternoon.

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#### J. E. MURPHY HEATING AND AIR CONDITIONING

**The Chair:** The next participant is J. E. Murphy Heating and Air Conditioning. Please seat yourself and tell us anything you want about who you are and your business. We have 30 minutes. Please try to give us at least 15 of those 30 minutes for questions and dialogue. I understand you are John Murphy.

**Mr Murphy:** I am John Murphy. I am here today in two capacities. I am the president of J. E. Murphy Heating and Air Conditioning in Windsor, Ontario. It is a family business that has operated in Windsor for 70 years, generally doing residential heating and air-conditioning work. I am also the president of the Heating, Refrigerating and Air Conditioning Institute of Canada, Essex-Kent-Lambton chapter.

I would like to make five points of concern to the changes in Bill 118, what they would mean to me as a contractor and what they would mean to us as a group that I represent.

I would like first of all to commend the study committee for inviting me here. I feel it is to your credit that you listen to all facets of the industry, and I intend to give you my views. As a heating contractor and as the president of the local chapter, I am in agreement with Bill 118 in regard to its ability to offer incentives to people to get off electricity for the purposes of home heating.

As a group, we became aware of Ontario Hydro's problems with meeting future demand for electricity about a year ago. We had representatives of Hydro come to visit our group. They explained to us then and showed us by means of a graph where the demand was going, where the supply was going and what could be expected in future if things are not done to address the problem, so we have been aware of this for a while.

Not only that, but I would guess that most people in the heating business have been aware of the cost disadvantage of using electricity for home heating for at least 10 years, if not 15. It has always been a higher price to pay for electric heating. Installation costs can perhaps be lower, but the higher price for electricity has been evident to us for some time.

In our opinion, Bill 118 allows utilities to promote the conservation of electricity, but also provides for promotion of other fuels which are more economically suited to home heating. In other words, it gives Hydro the incentive to say, "We believe in the right fuel for the right job." Certainly it has been proved that electricity is not the right fuel for the purposes of home heating. We are suggesting that other forms, perhaps fossil fuels in general, be used rather than electricity, basically because of the price advantage per BTU bought. We pay a certain amount of dollars per BTU of heat for electricity, and considerably less for other fuels.

Most home owners heating with electricity are already aware of the high costs they pay for heating. Switching to

an alternative fuel will save them money. We wonder, first of all, if this is incentive enough. People who heat their house with electricity are aware of the amount of money they have to pay and budget for to heat a house. We have done some conversions from electricity to natural gas in the form of natural gas high-efficiency furnaces, and in some cases have seen the home owner's fuel bill or electric bill drop by 50%. It reduced the overall energy bill as much as 50% in a house.

Talking from the contractor's viewpoint, this program will mean a tremendous increase in the demand for energy-efficient heating systems and a subsequent increase in business during this difficult time for all those in the residential heating business. I might say that, in general, anybody who happens to be a contractor at this time is experiencing a downturn of business. In fact, it more than likely occurred a year ago, if not longer, and we have not seen it come back. I feel this is a tremendous opportunity for those of us who have been struggling over the last year and a half to perhaps gainfully employ some more people and, if not, to at least keep everyone whom we employ at the present time fully employed.

We also believe that incentives should be offered to the home owner to convert. Depending on the type of heating system the person has now, there can be a very large capital cost involved in changing the heating system over to a forced-air situation. I believe, for this reason only, that it is important to give some people an incentive to do this. Other than that, they may not have the necessary funds to put this program into use. I feel it should be in the form of either a direct cash incentive or some type of reduced-interest loan, some type of incentive for the people to do it. Other than that, they may not have the capital or the funds to do it.

The program sounds great. We want everybody to change, but unless there is this type of incentive, I do not think it will happen. I also think the bills they have been getting are incentive enough for anybody to change. That will make up your mind quickly that you want to do it. Whether you can do it is a different situation. I think there is a case to be made that the incentive should be offered for that reason.

This is the extent of my arguments in favour of Bill 118. I would like to thank the committee for this opportunity to address them and will of course entertain any questions you might have at this time.

**The Chair:** Thank you, Mr Murphy. Mr Arnott, seven minutes.

**Mr Arnott:** Thank you, Mr Murphy, for your presentation. I do not think I have seven minutes worth of questions, but I appreciated your viewpoint. You bring a new perspective to this committee.

I think you mentioned earlier in your presentation why market price of energy in itself is not enough to convince some people to convert, and you suggested later on that you felt incentives were required. I do not understand why incentives are necessarily required. If a better educational campaign were launched first to make people aware of the

difference in cost, would that not be a prudent way to go at the start?

**Mr Murphy:** Again I have to say that in the last 20 years of being in business, I have tried to convince anyone to whom I have talked who has heated with electricity that this is a very expensive way to heat your home. As far as a campaign is concerned, it is fairly evident to people who do heat with electricity that they should change to a different fuel, because they are paying more. I am not so sure it would be worth the effort and the money spent on just a campaign to get it done. I would rather see actual policies in effect and given to the heating contractor to say: "Here is the package for the home owner. Put an ad in the paper and tell everybody that you have these available."

I was around when the federal government had the off-oil program, an \$800 rebate for things like that. The federal government did extensively advertise it, but it was up to the individual heating contractor to fill out the paperwork, explain the program and find out what was eligible and not eligible. I think that is where you are better off spending money, rather than a giant campaign and then sitting back and waiting. I believe you would not have any heating contractor now who would not participate, would not want to advertise, would not want to tell people that "I am in the business of offering this to you."

**Mr Arnott:** Do you deal in oil and gas conversions?

**Mr Murphy:** I used to sell oil furnaces. I no longer have an oil burner service mechanic. He died approximately 12 years ago, so we have gradually depleted our oil burner work. In my opinion, it is an old technology, and you are finding few and far between service people to do it. Granted there are a lot of farm communities that have only oil, and they are serviced well by those people in the area, but as far as the switch to oil is concerned, I am not of the opinion that it is the best idea.

**Mr Arnott:** If the government were to offer incentive programs, would it not be most fair to include oil and natural gas?

**Mr Murphy:** By all means. Gas pipes do not go everywhere, and not everybody wants to contend with a propane tank on the lawn and things like that. They have had an oil furnace in their house for the last 40 years; Dad had one in his place. By all means, I think all three fuels should be incented.

**Mr Dadamo:** Thank you very much, Mr Murphy, for making the trip to Chatham. You were talking about incentives and the need to switch to other means of heat for homes and establishments. How much money would we have to assemble in order to show people, to make the conversion over from electricity to what?

**Mr Murphy:** That is a good question.

**Mr Dadamo:** It is a lot of money.

**Mr Murphy:** In terms of how much, it seems to me that when the off-oil program was going, the federal government decided that the average changeover would cost \$1,600, and it would pay up to half of that. I think there should be a maximum put on it in regard to a cash rebate. My point is that some of the houses already have electric,

forced-air heating systems. You are talking about a lot less money to convert that to a natural gas system or an oil system or another fuel than a house that has, for example, radiant cable heat or baseboard electric heat. To convert those kinds of homes, you are looking at a lot more money.

As far as the incentive is concerned, I am not so sure it would be a direct cash incentive that would move these people enough to do it rather than something like a low-interest home-owner loan or a long-term loan that they could take advantage of, because you are talking a lot of money. But to answer your question as to how much money, I cannot give you a figure that I think would be enough or too little or anything. I have no idea.

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**Mr Dadamo:** I am just thinking that if a family of four or five had to come up with that \$2,000 to \$3,000 to make the conversion, I would think it is a lot of money.

**Mr Murphy:** It is a lot of money. Manufacturers offer rebates for spring and fall promotions, and a lot of times cash incentives in that case. A lot of these things can be combined, and I think the home owner could come up with a large chunk of change in response to incentives.

**Mr Dadamo:** I was just going to say, not to sound negative or anything, that a lot of us would rather stay with the status quo, not make the change to anything and stay with what we have.

**Mr Murphy:** That is my point. That is why there should be incentives. To me it is not a matter of whether you do it or not; it is when you do it, because of the fact of where we are. Like I said, our trade association attended this meeting put on by Ontario Hydro. They showed us what we can expect in the future as far as supply and demand are concerned and we were quite shocked. That is why, as I said, any heating contractor today is going to let you know what the score is, and that is an incentive in itself.

**Mr Klopp:** Thank you for coming out today. The point about the incentives, the loan or guarantees, or help, I like that idea. You talked about how for the last 10 or 15 years many of you people have been sounding the horn that electricity, for the cost and in the long-term range, has been something that is totally wrong. Yet Ontario Hydro people tell us that we should not be pushing Bill 118, to steer them in this direction, because it is a crown corporation and it is going to look out for the best interests of the ratepayers of Ontario. Why has Ontario Hydro, with all its engineers and all those people—I am sure you talk to them in your associations—not picked this up five or 10 years ago?

**Mr Murphy:** I do not know why they have not. I think they have done what they could. I do not know the exact, whole substance of the existing bill. Perhaps they have done what they could in incenting people to buy ground source heat pumps and things like that to in fact convert heat at a much more favourable rate than straight resistance heat. As to why they have not done this more, they are a crown corporation, but they do have a board of directors and shareholders and they do have to make money. I do not know. I cannot speculate. You know what

I mean? I do not know why they have not. The facts are there. It is not a mystery that heating with electricity costs more money than heating with a fossil fuel.

**Mr Waters:** I have a couple of questions. One is that you mentioned that manufacturers and so on right now subsidize or have plans for incentives for people to switch.

**Mr Murphy:** Spring and fall promotions.

**Mr Waters:** Do you feel that would change if Hydro were to offer incentives for switching?

**Mr Murphy:** No.

**Mr Waters:** So you think they would be there as well?

**Mr Murphy:** Certainly. There is always a need, especially in the spring and in the fall, for some type of incentive for people to do something to change the furnace for the home improvement market. These are typically slower times, rather than the summer and the immediate need winter brings on for heating.

**Mr Waters:** If you could for a moment take off your plumbing and contractor hat or your installation hat, as a taxpayer, if 32 schools out of 654 buildings in Metro Toronto's school board were to switch, and they are looking for an incentive to switch, there would be a net savings in that 32 alone of \$1.76 million a year, they are estimating. As a taxpayer, to me, if you were to move the schools that way, you would not have to build another megaproject. You would save a megaproject and Hydro would save that. As a taxpayer, looking not only at your hydro rates but your education dollars, do you think it would be a good move to issue that kind of incentive to those school boards?

**Mr Murphy:** Yes. Any other large user of electricity I believe should also be incentivized to make the change where they can. I just think you have to take the future into perspective when you are doing this. In the long run, we are going to be better off if we are using the right fuel to do the right job, and as far as heating is concerned, electricity is not the right fuel. I think everyone would be concerned with how much money they are going to save if we institute this kind of program. I am sure; there is no doubt about it, especially when the school boards are faced with zero per cent increases now. If they can get something that is going to save them, and in the long run probably make them some money, because it is money they will not have to spend on heating, I say that is incentive as well. I think it is a good idea.

**Mr Waters:** Maybe I am asking the wrong person, but I will ask you anyway. The gas industry has been pretty much a leader in energy efficiency units. They came up with I guess the first high-efficiency furnace. Do you see down the road any more changes, major changes or efficiencies gas could work on, or do you think under this bill they will sit there and ride on their laurels?

**Mr Murphy:** At the present time most manufacturers make a furnace that is between 93% and 96% efficient. You cannot make 100% efficient gas furnaces. You have to have some type of emission that goes on, and when you have that you lose some efficiency. You do not get all the

heat out of the natural gas, or the fossil fuel for that matter, that is burned. They may make some minor improvements, but you are not going to see the major improvement that was done eight or nine years ago from a 65% steady-state furnace up to the present 96% efficient furnace. Does that answer your question?

**Mr Waters:** I was thinking more in the line of, let's say you like your bedroom at 60 degrees and you like your living room at 70.

**Mr Murphy:** That is in place now.

**Mr Waters:** But it is pretty well leading-edge technology right now, I feel.

**Mr Murphy:** It is leading-edge technology in the fact that not everybody can buy it and it is not really accessible to all contractors. They have to have specialized training and specialized technicians to offer it. But you can effectively get a house now that will maintain four, five, six or seven zones in any room you want on specific thermostats.

That is more a comfort concern and also a bit of an efficiency concern, because of course you are not heating all rooms to the same temperature so you are going to notice a reduction in your bill. But it is more comfort and a logistical point now being made for people. In other words: "I want my bedroom 68 degrees all the time. I don't want it any warmer than that, that's the way I like it. And other parts of the house I want warmer at different times of the day."

**Mr Waters:** This is out of curiosity because I represent Muskoka, where we have a lot of wood-burners. We also have gas, and I have heard of oil and gas or oil and wood, electric and wood. I do not know whether I have ever heard of gas and wood and I was wondering if they made such a thing.

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**Mr Murphy:** To my knowledge it is not, but I do not sell or market any kind of oil-wood combination-type furnaces. I know there are a couple of manufacturers in Canada, but whether or not they have a gas and wood unit I do not know.

**Mr Waters:** It was just curiosity more than anything.

**Mr Cleary:** Some of my questions have already been answered, but I do have another one to Mr Murphy. You say you support incentives to switch, mostly to gas. I do not disagree with you, but what do I tell the people in rural Ontario where they have no natural gas and they are probably going to see their hydro bills go up substantially? What do I tell those people?

**Mr Murphy:** I do not want to slant the argument. I am of the opinion that gas is probably the best fuel for heating a home, but I am aware of the fact that where natural gas is not available, obviously if there is no pipe that goes down the street, they are not going to have natural gas for a while. I think incentives should be from electricity to oil or from electricity to propane or to natural gas.

**Mr Cleary:** So you would support any incentives, as long as you switch from electricity?

**Mr Murphy:** Yes.

**Mr McGuinty:** What is the average cost for conversion from electric space heat to natural gas, assuming we go with midlevel efficiency and the duct work is there?

**Mr Murphy:** You also have to take into consideration the stack. For a midefficient furnace, or what is called the standard efficient furnace—as of January 1992, they have increased the efficiencies of furnaces to a 78% steady state—off the top of my head, I would say you would be looking at anywhere from \$2,600 to \$3,200 if you had existing duct work.

**Mr McGuinty:** If I was your average home owner and I had not yet made the jump, notwithstanding the fact that it was cheaper for me to heat with gas and these capital costs presented an obstacle to me, how much of a subsidy do you think Hydro should be giving this home owner?

**Mr Murphy:** I think they ought to make some type of estimate as to how much money he is spending now in his existing heating system, and when he goes off electricity, how much he is going to save. I think the incentive should be based—there again, I am not going to give you a specific dollar amount because I really do not know. I have no idea. I do not know how to properly arrive at that point. You ought to look at how much money it is costing Hydro to send that electricity to that guy's house and over a certain period of time what they are going to be saving as well, and that money ought to be his.

**Mr McGuinty:** What if we were to say, "Okay, Mr Smith, your startup costs are \$3,200, we will lend you \$3,200"?

**Mr Murphy:** It is an either/or. I think they should offer either direct cash incentives or some type of low-interest, long-term loan.

**Mr McGuinty:** A loan, for instance, that could be repaid with the savings generated by the transfer?

**Mr Murphy:** Yes, exactly.

**Mr McGuinty:** Tell me something. Can you explain to me how a ground-source heat pump works, in as general a way as you can, and, second, its comparative efficiency if we were to compare it with natural gas heating?

**Mr Murphy:** I do not sell water-source heat pumps, so I cannot give you an idea of what kind of savings they can give. Maybe my cohort Dan—this is Dan Lenover from Handy Brothers Heating and Air Conditioning, out of Blenheim. Thank you for joining me.

**Mr Lenover:** John was up here all by himself so I thought I would join him.

**The Chair:** Welcome.

**Mr Lenover:** Thank you.

**Mr Murphy:** I do not know if you can answer that any better than me. I do not sell water-source heat pumps. I can tell you how they work.

**The Chair:** Let's start with that.

**Mr Murphy:** The idea behind a water-source heat pump is that what you require is a constant steady temperature for the condensing or the removal or the discharge or the gaining of heat through the refrigeration circuit that is

inside the unit itself. It is basically like any kind of heat pump or central air-conditioning system. You have a unit that sits outside that either discharges or picks up outside air heat into the medium of refrigerant. This is brought into an indoor section, and it dispels the heat or absorbs the heat from the room, depending on when you want it to go.

What changes with the water-source heat pump is that instead of having a unit that is outside working on outdoor air temperature, it uses the temperature of the ground below the frost line to constantly pick up heat or dispel heat. They do that by means of a long series of pipes they put in the ground and run a solution that dispels the heat in the solution itself to the ground or picks up heat from the ground. That is how I understand it to work.

**Mr Lenover:** Yes, essentially it is a package unit that would sit inside the home and would have 200 or 300 or 400 feet of piping that would be buried in the ground. The heat in the ground is absorbed by the liquid that is being circulated in the pipes and that is transferred into the home through the refrigeration system.

**Mr McGuinty:** What are the capital costs for one of those?

**Mr Lenover:** Depending on the size of the home and the complexity, looking at just the unit, one of those systems runs around \$8,000 to \$10,000. We do not install those either, so I am only talking from information I have been given.

**Mr McGuinty:** Do you know anything generally about their level of efficiency?

**Mr Lenover:** They are considered to be the most efficient system.

**Mr McGuinty:** So if I had all the money I wanted and I wanted to convert from electric to an alternative source, I guess switching to that form is better than going to natural gas?

**Mr Lenover:** Assuming you had sufficient land to run the pipe and sufficient money, yes.

**Mr McGuinty:** Can you run this pipe even in a home that is presently fully constructed?

**Mr Murphy:** Yes, alongside the house.

**Mr Lenover:** There are two types. There is one that runs just underneath the surface over a wide area, and another type where you go straight down with more or less drilling two wells straight into the ground.

**Mr McGuinty:** Thank you. Another point, Mr Murphy: If you come into a house and people want to make the switch from electric heat to another fuel, what about the insulation that is in that house? If we are heating the environment, so to speak, because it is going out poor windows, do you not think we should have some kind of obligation to check the insulation before we begin to switch to an alternative source of heat?

**Mr Murphy:** You should do that in any case when you are sizing the heating system in a house. Most heating contractors will have an idea of what the windows are like in the home, what the attic insulation value is like, whether or not it was upgraded with the Canadian home insulation program or if there has been any insulation added to the

house or things like that. You always do, and most heating contractors, as I said, do a bit of an energy audit when they walk around the house and they make suggestions to the home owner, you know, "Do this in order to save the heat you are going to be paying for now." A lot of information has been given to home owners over the years as to what they should do to make their houses more efficient.

1400

I think that when any program is announced there should be incentives available for people to upgrade or change their heating system to a more efficient type of system. I think it has a ripple effect into the rest of the community, in that people begin to think, "How am I doing anyway as far as my energy is concerned?"

Hydro has started the program with the lightbulbs and the rebates for the fluorescent fixtures and things like that. I think a little more information like that is just going to happen if this program gets under way. I do not think it is necessary that you mandate into the program that they conduct an audit or something like that. It certainly would be beneficial to the home owner to be aware of the things he can do, but these things have been available to any home owner for the last 10 years.

**Mr McGuinty:** Do you not think we should make it a prerequisite, in extending some kind of a loan or a grant to home owners, that they first do whatever they reasonably can in order to batten down the hatches and make sure they have all the proper insulation?

**Mr Murphy:** I think it makes sense that if you are going to incent people to get this put into their houses, you also make sure they are conserving it as best as they can. How you do that, what is the right way, I am not sure, but it obviously makes sense to me.

**Mr Lenover:** Could I make one comment?

**The Chair:** Sure you can.

**Mr Lenover:** We are noticing that people are more and more battening down their homes, but this is having an adverse effect on the living environment, in that in their zealotness to seal all the cracks and crevices, they are now creating an airtight home and causing an excessive amount of moisture, causing mould to grow inside the home. This is very prevalent in electrically heated homes built over the last few years if there has been no accommodation made for ventilation.

**The Chair:** Thank you Mr Murphy from J.E. Murphy Heating and Air Conditioning and Mr Lenover from Handy Bros Heating and Air Conditioning. We all appreciate your taking the time from your businesses to come out here and talk to us. You have made an important contribution to the process. This is all recorded and Hansard at the Legislative Assembly has the responsibility of publishing it by way of a transcript of the proceedings, not only transcripts of today but of the whole series of proceedings of the committee. They are available to you or anybody else who wishes, free, by getting hold of any MPP's office. We invite you to do so and they will be made available to you as soon as they are published. I hope you will keep in touch.

**Mr Murphy:** Can I make one other point?

**The Chair:** Sure.

**Mr Murphy:** I go back to the off-oil program. I remember as it came in and out. I would just like to make a point that a lot of times an incentive like this can get out of control, in that you can have a lot of people who will want to jump on the energy conservation bandwagon, ie, unlicensed contractors or anybody who decides to hang a shingle on the side of the truck, now is an energy auditor.

I think it is worthwhile for the committee to research the type of people they want to handle this type of operation and information and make sure it is done by licensed, established heating contractors or energy-audit contractors. There are a lot of people you can find who do really good work, do it well through the proper channels, ie, permits etc, and also know what they are talking about in the term of results and everything. If anything, it should be somehow written into the agreement that it gets done by someone who is a licensed contractor and not someone who can just decide that he or she is one.

**The Chair:** A point well made. If a government program does not reinforce the role of competent tradespeople, then those tradespeople should be mad as all get out and let their MPP know it.

#### LEAMINGTON PUBLIC UTILITIES COMMISSION

**The Chair:** The next participant is the Leamington Public Utilities Commission. We have two spokespeople: Homer Vandervecht, general manager and Robert Leslie, chairman. We have a copy of your submission and that is now part of the record by virtue of being made an exhibit. Try to leave us the last 15 minutes for discussion.

**Mr Leslie:** I am Bob Leslie and this is Mr Vandervecht, who is going to do the speaking today.

**Mr Vandervecht:** Thank you for allowing us this opportunity to be with you this afternoon. I suspect that some of the issues we may be addressing today have no doubt been reported to you before by other groups. However, it is our intent to try to maintain a very local focus on these issues and certainly indicate to you how they may apply to our situation in Leamington and how they might impact on our electrical distribution system.

As you know, Leamington is the tomato capital of Canada, a community of nearly 15,000 people. Our utility serves approximately 5,200 customers: 900 of these are commercial and industrial customers, and of the remaining 4,300 residential customers, approximately 600 homes are electrically heated at the present time.

When we first heard about the proposed amendments to the Power Corporation Act, the Leamington commission became very concerned about the possible impacts these proposals could have on electricity rates. It was determined that our customers should be advised of the proposals and given an opportunity to communicate with their member of the provincial Parliament, the Minister of Energy or the Premier.

The issues of policy directives and fuel switching, as proposed in Bill 118, were presented to our customers in a full page advertisement in the Leamington Post. This was

the first time our commission has ever spent money on a full page ad. To me this reflects the importance placed on these issues.

The people of Leamington very quickly recognized what these proposed changes could mean to their hydro bills. In all, 325 customers signed a petition in our office and several submitted unsolicited letters to us. There were also some supportive letters written to the editor in the Leamington newspaper.

We are encouraged that the government has listened to electricity users in Ontario and has responded by promising to introduce amendments to the bill that will limit the directive powers to matters related directly to the duties of Ontario Hydro as currently contained in the Power Corporation Act. Our concerns in that area have been somewhat relieved. However, it remains our preference that sections of the bill dealing with binding policy directives to Ontario Hydro be completely deleted.

Ontario Hydro should only be able to exercise powers and undertake duties authorized by legislation. The proposal would mean that the Power Corporation Act can be changed by a mere policy directive rather than through the important process of legislative debate and amendments.

Leamington Public Utilities Commission fully appreciates and supports the energy conservation efforts exercised by Ontario Hydro and electrical utilities across the province. We participate in all the programs that are available. We also recognized the importance of financial incentives and loans for energy conservation programs.

Our utility has been heavily involved for more than two years in a cogeneration project with our largest customer, H. J. Heinz Co., located in Leamington, which is now producing more than enough electrical power to displace its own load requirements. We have not opposed Ontario Hydro's subsidization of this important project. The loss of 23% of our utility's energy sales, as a result of this cogeneration project, was easier to accept because of the immediate benefits to the electrical supply issue in Ontario. Projects such as this cogenerator benefit the entire hydro system in Ontario and are important factors in reducing the need to construct new generation facilities.

We are, however, strongly opposed to the proposal in section 5 of Bill 118 that will permit or force Ontario Hydro to provide loans or incentives to assist in the conversion to non-electricity-based space and water heating systems. This type of conversion has been going on for years. On a weekly basis, people in Leamington are changing their space and water heating systems from electricity to natural gas. In December a year ago, we changed the water heater in our home.

Why is this happening? Simply because it is cheaper. That is why there is no need to subsidize fuel switching. The current state of the market is motivation enough. Why should we force our regular electricity users, the residential, commercial or industrial customers, to pay for fuel conversion that will directly benefit others? If anyone should subsidize fuel switching at all, perhaps it should be the gas companies.

#### 1410

As a result of the recession, plant closings, as well as energy management efforts, the demand for electricity in the town of Leamington has declined substantially in the past two years. Actual use of electricity in Leamington decreased by some 9.3% in 1990 over the previous year. That decline continued in 1991 by a further 17%. Needless to say, that has very serious effects on our net income.

Our customer base has increased during that time, as has our distribution system, and despite a very large annexation earlier this year and retail rate increases, our load and our revenue dropped severely. The need for servicing our customers and keeping our distribution system in sound condition and maintaining vehicles and staff has remained a very costly responsibility.

The design of an electrical distribution system within a municipality is generally based on the anticipated electrical load requirements. Electric space and water heating obviously is a major factor in determining the sizes of distribution transformers, for example. Reducing electrical loads through fuel-switching incentive programs will leave us with a very expensive, oversized and underutilized distribution system. Unless costly modifications are made, and this might well involve replacing major components of the distribution system, a very wasteful situation will exist. Should this type of situation occur in Leamington, it may become necessary for our utility to receive subsidies or grants in order to keep the distribution system in a good working order. We suspect that there will be many other utilities experiencing similar conditions.

Subsidization of additional fuel switching will place an even greater financial burden on the electricity customers in Leamington, adding to the annual double-digit increases in retail rates. Leamington's increase in retail rates this year was 11.3%. That is why we argue that the cost of fuel substitution should be borne by the beneficiaries of the lower energy bills, the new non-electric heating customers. There is also a growing suspicion among many Leamington residents that once the gas industry has established a much greater customer base, the cost of natural gas may rise.

We believe the current economic slowdown and energy conservation measures have resulted in a tremendous reduction in electric energy demand by all classes of customers throughout Ontario. Subsidized fuel switching is not needed. While we will continue to support the provincial government's energy conservation programs, we urge that section 5 of Bill 118 be deleted.

There are other energy issues of interest to us. However, we wish only to make some very brief recommendations at this time.

1. That the rapidly expanding area of energy management incentive programs be reviewed by the provincial government and Ontario Hydro to ensure that each program will be economically viable and conservation successes can be reasonably assured.

2. That the Ontario Energy Board hearings process be reviewed in order to determine if the OEB should exercise regulatory powers over Ontario Hydro as well as other energy suppliers.

3. That the proposal to subsidize fuel substitution be deleted from the bill.

We appreciate the opportunity to meet with you today to discuss our concerns about Bill 118. We trust that this meeting and others, as you travel the province, will result in reconsideration of the proposals contained in the bill.

**The Chair:** Thank you very much. We will start off this round of interaction with Mr Klopp. Every caucus has about five minutes.

**Mr Klopp:** Going back to H. J. Heinz's power-dispatched load requirements, am I to understand that H. J. Heinz is effectively off hydro and can stand on its own?

**Mr Vandervecht:** For the better part of the year that is what is happening, except obviously during their peak season, the canning season in the summer months, when we need to supplement the supply. Basically, for eight months out of the year they are in fact exporting energy into our system.

**Mr Klopp:** They are off hydro. Ontario Hydro is subsidizing them. Could you explain what they are doing? That word "subsidize" has been thrown around a lot. Are they getting grants, or are they getting some special treatment?

**Mr Vandervecht:** The reference there was intended to refer to the fact that when the project was first born, Hydro subsidized the studies that were held to determine whether the project was viable and whether it could go ahead. It seems to me the Ministry of Energy was also involved in some of these studies.

**Mr Klopp:** You go to the next page and it asks, how we can have people like myself help subsidize these kinds of people who do not benefit me. You go to the next page there and you talk about, "Why should we force our regular electricity users, residential, commercial or industrial, to pay for fuel conversions that will directly benefit others?" How can you justify that on one page, and yet on the next page it is not a good idea?

**Mr Vandervecht:** First of all, I do not consider the non-utility generator project at Heinz to be a fuel conversion.

**Mr Klopp:** It is off Hydro. They can stand on their own. They do not need to plug into my electricity anymore.

**Mr Vandervecht:** But it is a project that in fact benefited the entire power system—this is the point I was trying to make—by obviously reducing the need for future generation. Granted that is the same intent obviously of fuel switching. To me, though, the intent of Bill 118 in terms of fuel switching would benefit individual customers. The Heinz project was a much greater project that benefited the entire power grid.

**Mr Klopp:** It does not benefit me then.

**Mr Vandervecht:** No, I suspect it will.

**Mr Hugot:** Thank you for your presentation, gentlemen. You touch in your brief here on electric space and water heating, and the distribution system that was built I guess with that in mind too. Do you feel that in the past, and you are well aware of the promotion of electricity for

space and water heating, that was in the best interests of your customers?

**Mr Vandervecht:** I guess that is a situation that would be different for each customer. We ourselves have had an all-electric home and there are, as you know, different types of home heating systems. There are some that are very inexpensive in terms of capital. I suspect that some of these people, when they built their homes, looked at the capital costs of some baseboard heating system versus a very large furnace. I suspect that people would benefit from the all-electric homes.

**Mr Hugot:** You mention in your brief your fixed costs, and your fixed distribution system. If I read it right between the lines, it says that the more successful we are in conserving electrical energy, the more problem that gives you as a utility. I have heard other presentations from consumers of utilities who seem to be at cross-purposes with the utility.

I have two questions. One, how much of your power bill to your customer is to recover those fixed costs? Two, when you mention the problems you see in the future around distribution systems and maintaining those systems with a reduced load, I would like some suggestions from you in terms of how we deal with that with local utility commissions.

**Mr Vandervecht:** First, I think we should reiterate that we at the Leamington Public Utilities Commission are not opposed to fuel switching; it is the subsidization aspect that we have some problem with. I do not have the latest figures of what amount of a customer's bill is fixed costs, but—

**Mr Hugot:** Would it be half, sir, or three quarters?

**Mr Vandervecht:** No, it would be substantially more if we include the wholesale power that we purchase from Ontario Hydro as part of our fixed costs.

**Mr Hugot:** No. I meant your fixed distribution costs.

**Mr Vandervecht:** It would be less than half in that case. I am afraid I have forgotten the latter part of your question.

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**Mr Hugot:** The situation that you raise in terms of as we get more successful in fuel switching, as is indeed, I think, in the general public's best interests, it leaves you with a problem, and that is the fixed costs of operating that distribution system. What I would like from you is some suggestion in terms of how that can be dealt with. What can we do about that? You raised that and it is an important issue.

**Mr Vandervecht:** Yes. I think I made the comment that if fuel switching was subsidized and became a very major project—in other words, if every electrically heated home and every electric water heater were to switch—then we would be left with that very large distribution system that we would have to do something with. I suspect that perhaps applications would be made for some financial assistance. Either that or the system is left there, underused and oversized. But I suspect there may be some consideration for financial assistance.

**Mr Huget:** But it is a problem that needs to be addressed, in your opinion.

**Mr Vandervecht:** I agree.

**Mr McGuinty:** Pursuing that line of questioning a little bit, I will try to simplify it for my own purposes. We are saying here, if it is no longer necessary to build any more supply and we just use the existing system and we reduce the number of users, we would expect naturally that the rate for electricity is going to go up. Does that make sense?

**Mr Vandervecht:** It does to me certainly.

**Mr McGuinty:** Right. Now why does it present as problem in terms of the system? I do not understand that. Is there some technical reason that we cannot use the existing system to transmit less electricity?

**Mr Vandervecht:** No. If I left you with the impression that the system would not be able to distribute less electricity, that was not my intent. Our concern is that the distribution system now is sized to accommodate a certain number of all-electric homes, whether it be space heating, water heating, that sort of thing. If this use decreased, then our system is still built to accommodate all this.

What I am saying is, particularly transformers are much larger than what is required. I am talking about existing systems obviously. Future systems can be designed on a downgraded basis. But these very expensive transformers, again, if I can use that example, will be out in the system and they will be underused and they also become very—I was going to say “ineffective,” but that is not the word. But a transformer that is oversized, for example, tends to result in higher line losses and that sort of thing. So there are a number of little things that complicate the issue, but the system will still handle the reduced load. There is no question about that.

**Mr McGuinty:** It appears to me then that what you are telling me is that the rates are going to go up. If we use less the rates have to go up.

**Mr Vandervecht:** I think either way, whether fuel switching is subsidized or not, we all know that the cost of electricity is going to go up in future years.

**Mr McGuinty:** Just on that point then, how big an issue is that for your ratepayers, and what about the corresponding benefits or the up side to that, that we are causing less harm to the environment? How do your ratepayers deal with that balance?

**Mr Vandervecht:** The response that we received to some of the issues and primarily to subsidization of fuel switching dealt strictly with the costs that our people are going to have to pay for on their Hydro bills in the future. Very few comments were received on the environmental issue, so I guess we are addressing the cost concern on behalf of our customers.

**Mr McGuinty:** If I were to tell your ratepayers, “Look, your costs are going to go up, but it is for the good of the environment,” would they say, “Okay, we’ll buy it”? Any thoughts on that?

**Mr Vandervecht:** I guess it is a personal opinion. I had not thought much about that, but I suspect that the

majority of them would prefer to have reduced costs as opposed to a concern about the environment.

**Mr Cleary:** In your brief you mentioned the Heinz project. What is the size of the cogenerator that was installed there?

**Mr Vandervecht:** There are two units there and the total load is approximately 7.5 megawatts.

**Mr Cleary:** You say that they are energy-sufficient for eight months of the year?

**Mr Vandervecht:** Yes.

**Mr Cleary:** Do they have surplus power at that time?

**Mr Vandervecht:** Yes, they do.

**Mr Cleary:** They sell that back to Hydro?

**Mr Vandervecht:** They sell it back to Ontario Hydro and they actually export it into our distribution system.

**Mr Cleary:** Then for four months of the year it is the opposite.

**Mr Vandervecht:** We supplement their needs, yes.

**Mr Jordan:** I would like to go back to that section of Bill 118 that gives this direct power to the Minister of Energy to bypass the Legislative Assembly. When we talk about the government, we are talking about the government that is in power, those elected members only. When we talk about the Legislative Assembly, we are talking about all the members who are elected, regardless of which party or what riding they represent. What concerns me is this bill takes it away from us who are not part of the government to have any input whatsoever.

This bill gives the Minister of Energy the power to take it to his cabinet and straight through to the chairman and chief executive officer of Hydro and the board of directors has no accountability, because if it makes a bad decision, it is clear that it is not responsible. If it is not responsible, then of course the chairman is not responsible and the responsibility is back to the Ministry of Energy. The members of the Legislative Assembly have not had a chance to see the directive, to comment on it or to represent the people in their ridings. I would be interested in your comments on that power of this bill.

**Mr Vandervecht:** I think that is precisely the way our commission feels about it. As I indicated in the report, we feel that the directives to Ontario Hydro should be those that are presently contained in the Power Corporation Act. If changes are to be made to that act, it should go through the legislative process.

**Mr Jordan:** And the power directives?

**Mr Vandervecht:** We are opposed to that, particularly coming from the minister or from the ministry or from the government of the day. It should follow the contents of the current Power Corporation Act.

**Mr Jordan:** You were commenting on the reduced use of your system, that you designed the system to carry X kilowatts or megawatts for the people you represent. I would be interested to know, do you have a winter peak now or a summer peak?

**Mr Vandervecht:** We are one of the few summer-peaking utilities.

**Mr Jordan:** You have a summer peak?

**Mr Vandervecht:** Yes, which means that we have a large number of customers with air-conditioning obviously.

**Mr Jordan:** As some homes with baseboard heat switch over to a forced air system, to gas, it is quite natural you are going to see more air-conditioning load?

**Mr Vandervecht:** That is very conceivable, yes.

**Mr Klopp:** So your rates will not go up or down.

**Mr Jordan:** So your effect could be very negative to the Ontario Hydro grid?

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**Mr Vandervecht:** It is an issue that we did not cover, but if that in fact were to happen in the summertime, it would tend to boost our peak even greater and become a more expensive system. As you probably know, we pay at those peaks.

**Mr Jordan:** Right, and at the present time Ontario Hydro is a utility which is geared for winter peaks.

**Mr Vandervecht:** That is correct. Taking into consideration your hydraulic section of generation, it is at its lowest ebb in the dry months of the summer, to come on with generation for peak loads from June to September. The rivers are low, the head ponds have been drawn down and the efficiency is not there because the water head is not there for the fall compared with when you have your fall rains. The evaporation is reduced then for the colder months. You have the storage and the hydraulic generation for the peaks. I can see many complications, not only for a local utility, but for Ontario Hydro as a system.

How would you explain the fact that the Minister of Energy would see fit to relieve the directors of any accountability? Why would that be a requirement of this bill?

**Mr Vandervecht:** That is another one of the issues dealing with directives that our commission is opposed to. We purposely did not comment on the makeup of the board. We understand that is also contained in Bill 118. It is a lesser concern that we have, but we do believe the board of directors should be totally responsible for the actions of Ontario Hydro.

**Mr Jordan:** And increasing it from 17% to 22%, is that—

**Mr Vandervecht:** To us that is not a big issue.

**The Vice-Chair:** Thank you, Mr Jordan. Mr McGuinty has one quick one, the key word being "quick."

**Mr McGuinty:** I am just interested in the cogeneration project. I am wondering if, as a result of that project being started up, your public utility commission lost significant sales. Was there any effort made to enter into some kind of agreement where you would buy electricity produced by Heinz, perhaps even at a reduced rate, so that would be the quid pro quo for that loss? Or is that even possible?

**Mr Vandervecht:** At the time that the cogeneration units were being built, we were actually given the option by Ontario Hydro to purchase the power directly from the cogenerator or to allow Ontario Hydro to actually purchase the power. At that time, our commission made the decision to waive that option and to let Ontario Hydro negotiate

with the company to purchase the surplus power from it, and that is in fact what has happened. As I said, while the power is being exported into our system, it becomes another supply point to our utility from Ontario Hydro.

**The Vice-Chair:** Thank you, gentlemen, for an excellent presentation. It is good to see you here today. As the Chair said, this bill has sparked a lot of interest. You can pick up all the Hansards, whatever you need, from your local member. I am certain they will be made available to you upon your request.

#### ENERGY AND CHEMICAL WORKERS UNION

**The Vice-Chair:** The next group is the Energy and Chemical Workers Union, the Union Gas council. Would you please come forward to make your presentation and introduce yourselves for the sake of Hansard and members.

**Mr Kane:** My name is Frank Kane and this is Bryan van Rassel. He is the Ontario coordinator for the Energy and Chemical Workers Union.

Good afternoon. I am vice-president of Local 633 of the Energy and Chemical Workers Union. I appear before this committee representing approximately 1,000 unionized members currently working for Union Gas. The workers we represent perform all phases of gas distribution, including new construction, service and maintenance of existing piping, regulating and metering systems, as well as clerical support systems, customer service and meter reading. These members are employed in a geographical location spanning from Windsor, east as far as Oakville and as far north as Owen Sound. Our union also represents workers in other energy-related industries such as oil refineries, petrochemical plants and gas distribution systems.

Our policy in representing workers in the energy field is to take a leadership position in conservation and the effective use of energy while securing our membership's future. The proposed amendments to the Power Corporation Act that are supported by this union could have a very positive effect on our membership through the accelerated expansion of our distribution system. The ample supply of natural gas is currently underutilized, with the option of having natural gas supplied to some rural homes and businesses being very cost-restrictive. Therefore, the obvious environmental and cost savings are not being realized. The creation of hastened gas expansion hopefully would create the opportunity for growth in the manufacturing sector as well as a substantial number of new jobs for our members.

As the cleanest-burning of fossil fuels, natural gas would and should play a major role in minimizing the negative effects on our environment. When substituted for other, less environmentally friendly energy sources it can retard some of our most serious environmental problems, ie, global warming, urban smog and acid rain.

The long-term cost savings to the public could result in further utilization of current gas distribution facilities as well as from the direct price advantage of natural gas as compared to other fuels. The conversion from older, less efficient non-gas equipment to newer, high-efficiency gas equipment would also be a positive factor, using less energy to achieve the same desired results. A new, broader direction in energy policy would create a growth market,

developing and testing higher-efficiency equipment, with the province taking a leadership role in developing spinoff industries for potential job creation.

The Energy and Chemical Workers Union supports the amendments to the Power Corporation Act as outlined in Bill 118. Current collective agreement language will allow us to adapt to anticipated changes that our membership will be and is prepared to face. With the expected growth to our industry, we are prepared to discuss any and all avenues which may be necessary to help our membership to meet these new challenges.

**The Vice-Chair:** We will start the interaction with Mr McGuinty. We have about seven minutes per caucus.

**Mr McGuinty:** Gentlemen, thank you for your presentation. One of the arguments we are hearing is that since the gas utilities stand to benefit, they should be participating financially in whatever kind of program government ultimately decides to proceed with in terms of subsidizing or giving some kind of incentive grant or loan to people who are heating electrically to switch to gas. What do you think of that?

**Mr van Rassel:** We really had not addressed that particular issue. However, the gas industries would have to spend a considerable amount of money in coming on stream in order to participate and accommodate. So I guess, as I said, we were not particularly addressing the subsidization industry or the cost of conversion, but would see that as not being a major issue but in fact should apply to the hydro industry.

**Mr McGuinty:** We have heard, of course, from representatives of other unions, and in particular I think it was CUPE Local 1000. They were very concerned about jobs and what the full implications of conservation are going to mean for them as employees of Hydro. What do we do with that concern? I can understand that, if there is a provision which is going to give people an incentive to switch to natural gas, it is going to be a boon to your industry. I have no difficulty with people getting jobs, that is for sure. But what do we do with the people with Hydro? They have expressed a very real concern that they are going to be losing jobs.

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**Mr van Rassel:** I expect when you switch industries, that kind of occurrence is going to place. We are not in the business of going around looking for ways and means of taking work from other people. However, when a situation presents itself that is going to be beneficial to our members and in fact support a very real concern of our organization, ie, conservation and the environment, and equally have a direct benefit to the general population, it would almost be a little improper, I would suppose, for us to not come forward and support such a position, recognizing that there is going to be an impact on other workers. But conversion will have an additional impact on employees and workers other than just our members from downstream sources.

**Mr Cleary:** Back a number of years ago, everyone was talking about changing over to "Live Better Electrically." Many took advantage of the programs. Now we are talking about the same program to switch over to natural

gas. Do you think that any time down the road this could be a mistake too, that supply, price, whatever, might go along with it?

**Mr van Rassel:** I cannot project into the future, but certainly at this point in time the benefits of switching to natural gas are rather obvious. They dovetail with a number of concerns the general public has, and not simply one of a lower cost. I cannot even back up to "Live better electrically," but there certainly seems to be a time right at the moment where the concern of the general population and the concern we have as representatives of workers is loss of employment in our particular industry and/or union. So we welcome an opportunity to have some input in a situation that really allows us to do something or say something for all peoples, our workers, the general population and the consumer.

**Mr Jordan:** Thank you, gentlemen, for your presentation on behalf of

your membership. I was interested, from reading and listening to your brief, before this government suggested fuel switching, what conservation programs did you have going at that time?

**Mr van Rassel:** Are you talking about us as a union?

**Mr Jordan:** It says here that you were supporting it because of different reasons, that it is going to increase your membership and it is going to be good for the environment. I was wondering how active you were prior to this with briefs such as this.

**Mr van Rassel:** With respect to the organization, we established a health and safety committee within our organization. Such a committee provides research material etc for our various local unions across the country, be they in the gas utility field or in the petrochemical field or some of the others. One of the more recent and probably more noticeable activities has been in the Sarnia area, where all the managers of the major corporations that our union represents and the stewards and some of the local executive got together, in fact in this very room, and discussed the environment and whose responsibility it was and the kinds of things that can and should be done, the kind of participation.

That group meeting formulated a steering committee which met and dealt with those environmental issues, particularly in that instance in the Sarnia location, and then subsequently had another meeting of the larger group and reported back to them. We have ongoing committees dealing with the environment all the time.

**Mr Jordan:** That is more or less concentrating on commercial/industrial. Is that what you are saying?

**Mr van Rassel:** That particular one, obviously, yes.

**Mr Jordan:** Did you have any program where you would come out and do sort of an energy audit on my house and tell me that I should do this and I should do that?

**Mr van Rassel:** As a union we have not put that program together, no. Whether the utility has, I could not answer that.

**Mr Jordan:** Would you feel that the marketplace is capable of promoting this fuel switching without cash

incentives from the utility that is losing the revenue? When you have fuel switching you have a revenue switch also. You cannot have one without the other, let's face it. So what we are looking at here is, the utility that is going to experience the loss of revenue is considering also making a donation towards the capital required to use the other energy. Do you see that as being a business practice or do you think that in the marketplace, because of the price of your energy relative to electrical energy, it will take place on its own?

**Mr van Rassel:** As far as the marketplace is concerned, people are going to realize the difference in just out-of-pocket cost. Whether the utility should participate or not, I guess that is really not my position to say. We go to the bargaining table looking to decrease their ancillary expenditures; We like to increase their direct expenditures. But I really cannot answer that for the utility. Maybe I could talk the union into some kind of donation.

**Mr Jordan:** Yes. At least they are going to receive the increase in customers, distribution system and, naturally, revenues. The electrical utility just prior here this afternoon was expressing its concerns about having invested capital in a distribution system that could very well be oversized and underutilized, so there are a lot of spinoffs to just saying, "I am going to shift it from electricity to gas."

**Mr van Rassel:** There is no question electricity is going to feel the effects of any switch.

**Mr Jordan:** Yes. The cost for you to service a residence is basically the same. What is the minimum use that you will come to my house for? Supposing I am just going to have my stove and hot water tank on gas. Will you give me service?

**Mr van Rassel:** Yes.

**Mr Jordan:** What is the minimum that I have to take to get natural gas?

**Mr van Rassel:** At one time, you had to have more than one appliance.

**Mr Jordan:** You had to have more than one appliance.

**Mr van Rassel:** Yes, but in the last three or four years they have downgraded that to one appliance so you would be able to convert. They would run a line to your house just for a hot water heater with a service off the main.

**Mr Jordan:** So it is becoming quite apparent here that the local utility for the electrical service in a municipality is going to have to make the same capital investment and basically only have the lights and television and the rest would be gas, because if you go complete gas, you get a better rate, do you not?

**Mr van Rassel:** No, you do not. If you go complete gas, it is the same as if you only have a water heater. It does not matter how many BTUs.

**Mr Jordan:** I thought once you put the water heater in, you got a better rate.

**Mr van Rassel:** No.

**Mr Jordan:** That used to be, though.

**Mr van Rassel:** On electric or gas?

**Mr Jordan:** Gas.

**Mr van Rassel:** No, that is not true.

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**Mr Jordan:** That is not true?

**Mr van Rassel:** It is not true in Union Gas, excuse me.

**Mr Jordan:** It is probably Consumers Gas.

**Mr van Rassel:** It might be Consumers Gas.

**Mr Jordan:** You can see the point I am coming at, that the capital investment to get to my house is going to be the same and the revenue is going to be considerably less.

**Mr van Rassel:** You said they just have lights left. We just heard they have air-conditioning.

**Mr Jordan:** I understand. Yes, the fan at least. You people are working on an air-conditioning coil also, are you not?

**Mr van Rassel:** Yes, there are natural gas air-conditioners on the market. They have been for a long time.

**Mr Jordan:** The technology is there and the competitive market is there. I just feel it will balance out without incentives.

**Mr van Rassel:** Gas air-conditioning has been on the market for 30 years.

**Mr Jordan:** Same as the fridges.

**Mr van Rassel:** Yes.

**Mr Huget:** Thank you gentlemen for your presentation. I want to look at the other side of the subsidy issue in a sort of indirect way. The building code, as you know, mandates that houses be wired for an electric stove and clothes dryer. If you want to, for example, use alternative forms of heat like natural gas, that is an extra cost. I would like your views on whether that building code should be changed or expanded to allow the flexibility of those types of insulations in new homes.

**Mr van Rassel:** You have taken us a little far afield from where we were coming with the presentation. I do not really feel qualified or capable to answer that one for you.

**Mr Kane:** I can add a little to that; that is what I do for a living. I am a pipe fitter with Union Gas and I install dryers, ranges, fireplaces and what have you. It seems very unfair to me now that in new construction the Ontario code says they have to have a dryer and range outlet, yet people moving in with gas have to pay upwards of \$200 and \$300 to have a range and a dryer hookup connected. What is good for one should be good for both.

**Mr Huget:** There is a view in part of the province at least, and I think probably in pockets throughout the province, that there is a safety problem with natural gas. We recently were in Kingston, and there is certainly an element of the population there that just has a real aversion to natural gas because of the safety concerns. Can you comment on that?

**Mr Kane:** Yes. As a worker who has worked with it for 17 years, I find it as safe a fuel as there is. There are obviously going to be problems where the regulators freeze up with the type of climate we have and what not.

They happened, and I think they are going to continue to happen. The gas companies are going to great measures to rectify freezing of the regulator problems, and they seem to be the only real hazard we have left. The manufacturers of the controls have the safeties down very fine. Virtually, once the house line is pressured at seven ounces, there is no problem any more.

**Mr van Rassel:** Just as a follow-up, I think you can, from listening to Frank, see readily that the training and the expertise that goes into creating a number one service representative is intensive, and safety is obviously paramount in the picture of the training and the putting on stream of a first-class service representative.

**Mr Huget:** I just want to briefly, in closing, touch on the industrial opportunities. Proponents of the nuclear industry are always very quick to point out, and I suppose rightly so, that there is a whole industry with a number of jobs attached and leading-edge technology and all those things. Are there any possibilities, in your view, for some real economic advantages for Ontario to get into that type of technology, around energy in particular? Gas is your field of work. What do you see as the potential there for job creation and economic development?

**Mr van Rassel:** The potential, I think with us, is the expansion of the existing facilities. It would obviously have to create some spinoff work in terms of construction, in terms of revamping etc. I am not sure I can answer it much farther than that.

**Mr Kane:** There are also going to be some jobs created in developing newer technology and higher and higher efficiency stuff that in the last 10 years has become very prevalent in the industry. There is a large market out there, but I am sure if the market was larger it would accelerate that testing in the technical field.

**The Vice-Chair:** Any other questions? Hearing none, I thank you very much, gentlemen. I am going to take a bit of licence. I am going to ask a quick question myself actually, because I am one of these people that is considering switching. I keep hearing about, as Mr Huget said, the danger of gas. I know propane is heavier than air. It goes down. Does natural gas go down?

**Mr Kane:** No, it is higher. It is 0.6%. Natural gas rises.

**The Vice-Chair:** I did not know whether you had a device that would detect it, if it would go down or not.

**Mr Kane:** No. That is the last place we look. We look up first.

**The Vice-Chair:** Okay. Thank you for the information.

The next people we would be calling is the Environmental Law Society. Is there anyone here from there.

#### SARNIA-LAMBTON CHAMBER OF COMMERCE

**The Vice-Chair:** Seeing no one coming forward, could I ask the Sarnia-Lambton Chamber of Commerce if it would be prepared to do its presentation at this time? Mr McGarry, I believe.

**Mr McGarry:** Yes, that is correct.

Good afternoon, gentlemen. I just found out about this presentation through the London paper. We do not have a presentation to hand out, although it will follow shortly.

**The Vice-Chair:** I find that amazing, because I asked the clerk to check on this. We went to great lengths in this committee—actually we spent in excess of \$30,000 to make sure we hit every weekly and every daily in the province, and we have had a couple of people say they were not aware. I would not mind a suggestion before you start, if you have one, on how we can better advertise so that the people of the province are aware of what we are doing, keeping in mind the sky is not the limit where dollars are concerned.

**Mr McGarry:** I will have to ask the professional staff at the chamber why they did not see it. I was in the Pacific Rim before Christmas, so I was not reading the papers. I am not sure why I did not see it.

**Mr Huget:** The committee neglected to advertise in the Pacific Rim unfortunately.

**The Vice-Chair:** If they have any suggestions, if they would forward them to the clerk of this committee, we would more than willing to entertain them.

**Mr Jordan:** It is important, Mr Chair, because none of his members knew. How many members are in your chamber of commerce?

**Mr McGarry:** Although there are something like 10,000 people altogether, I think there is a thousand-member chamber in Sarnia-Lambton.

Let me go back a little bit. I have about four hats on today, and I am going to wing it, if you wish. I am here representing the Sarnia-Lambton Chamber of Commerce. I am chairman of the energy committee. I am chairman of the energy from waste committee. I am a director of the Ontario Chamber of Commerce. I also own and run an engineering company that does work all across Canada, the United States and in the Pacific Rim. We will have to get the paper delivery. I worked for Ontario Hydro for 20 years and quit about 11 years ago and started my own engineering company. We do a little work for the Ministry of Energy—I might point out at a loss, because there is no money in doing this kind of work, but it is part of doing business in Ontario.

I have mixed emotions about this bill because I am sitting here today with about six different hats on. I represent the mom-and-pop shops and multinational corporations, one of whom pays an energy bill of about \$5 million a month, of which this 11% increase represents \$550,000, which is \$6.5 million a year in increase. To me, that is a hell of a lot of money. I suspect it is the same amount of money, though, to the large multinational corporation as it is to the mom-and-pop shop.

I have some of the same fears that Don Dukes had and maybe more, because I have watched what happened in other provinces. If Ontario Hydro is changed to reflect the whims of politicians, we might see what happens in Quebec, where you get power holidays. That has not worked out very well in Quebec, where different people get different rates because of different reasons, whatever the reasons might be. I am not saying that anyone here is going to do

that, but I do not know that. I also have concerns that included in the power rates may be other agendas, and you have already heard those kinds of concerns.

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This does not mean that we in Ontario should not be helping our industries worth saving, but maybe it should not be reflected in the rates of our energy, whether it be electric, gas or oil. If I put my engineering company president's hat on, dealing with Ontario Hydro, Hydro-Québec, Nova Scotia Power, which is for sale by the way, the Georgia Power Authority down in the United States, recently with manufacturers and equipment people in the Pacific Rim, if this change in mandate means that Ontario Hydro will be more cost-competitive, then it is likely good.

As president of an engineering company, I can tell you I build facilities for less than half what Ontario Hydro builds its facilities. I am presently constructing, for Vaughan Hydro and Richmond Hill, two very large transformer stations, using most of Hydro's standards. I have cut away some of the gingerbread. I have managed the project so that there have been cost overruns of only 2% to 3%—none of this 500% and 600%. If my engineering staff had any more than a 5% cost overrun, they would be going down the road hat in hand. If Imperial Oil, Sun Oil and Shell operated in that fashion, the people there would be going down the road hat in hand.

It is time that we made our utility more cost-conscious, and there are a number of ways to do that. A lot of the petrochemical industries operate on profit centres. I suggest there are sections of Ontario Hydro that should be made into loss centres, and the division that loses the least will be the winner. I think there are ways of changing Ontario Hydro. Ontario Hydro people are very good. I am very proud of the 20 years I spent in Ontario Hydro, and the reason I am running an engineering company is most likely because of the training I got and gave during those 20 years.

There are some new managers in Ontario Hydro who, if given their head, could change Hydro fairly quickly into a cost-conscious utility. There is a grey mass in the middle of Ontario Hydro that has not got its head into discounted return on investment, that has not got its head into, "Do I need it today and will it pay itself back in two years?" There is a group of these people who, as I come to them on behalf of Richmond Hill or Vaughan Hydro or Imperial Oil or Nova, the first thing they do is trot out all the problems. They are problem makers rather than problem solvers. I find the same thing, by the way, in the ministries of the Ontario government, the federal government and the municipalities. It sure puts off a potential industry that wants to locate in Ontario.

Our energy policies must become part of the solution, not part of the problem. As you gentlemen know, Ontario is going to hell in a handbasket fast. We have to get to some of our industries and robotize them and computerize them to save them. That will mean possibly an increase in the amount of electrical power. It will also mean that it will have to become even more reliable than it is today. I think it is time to allow Hydro, if that means changing this bill in

some fashion, to get its head into what is going to happen 10 years from now. Then that part is most likely good.

Another item I would like to speak about are NUGs, non-utility generation. Sarnia-Lambton is most likely the only place in Ontario where NUGs really make sense because there is a huge need for steam. The combination of installing the NUG, which brings the efficiency up to around 60%, can cut the cost of steam to less than half for our existing petrochemical industries. That is a very important item. It can also reduce the cost of power to Ontario Hydro.

As a consultant, I find that dealing with the ministry and Ontario Hydro is like hitting a moving target. The rules keep changing. I suspect NUGs in southwestern Ontario are going to become more viable because the cost of gas is stabilizing, the cost of money is going down, the technology is improving and you can bring an NUG on, conservatively, in about two years. But there are some impediments that I as a consultant find difficult to understand.

For instance, in Sarnia the industries can buy and sell just about everything except kilowatt-hours. The present act does not allow Dow to sell Sun kilowatt-hours. The difference is about 80 feet, depending on what side of the road you put the generator. If you put the generator on the Dow side, you are selling kilowatt-hours. If you move the generator across the road and sell steam, then it is allowed. It is somewhat artificial. I find that difficult to understand.

Another item I find a little difficult is Hydro's present stance on being the only outfit in Ontario that can buy power from industries and sell it in turn. I think that within some reasonable restrictions the industries should be allowed to find their own level. If Sun Oil can generate power and sell it to Imperial Oil and they cut their own deal and it is 50 megawatts, that is 50 megawatts you and I do not have to generate. It is the same 50 megawatts. In principle, I find some difficulty with those kinds of rules. I know how they started out and I do not think it is necessarily to the detriment to me as a person to allow the industries to find their own levels.

You gentlemen have heard of rationalization in the petrochemical industry. You are going to hear more in about a week and a half. It is an industry that up until a couple of years ago was very viable. One of the things that may save it in Ontario and Quebec to some extent or make it competitive—because most of the products are going to be sold south of the border—could be NUGs. You can cut the price of steam down from something like \$5 or \$6 to \$1 and \$2.

I understand there are some technical drawbacks to NUGs in southwestern Ontario that have to do with the power system. They have not been defined to me or my staff, but if they are there I think we need to remove them. We do not have to go looking for a steam host in Sarnia. It is there in abundance. I think we should utilize it to the utmost.

Another benefit to NUGs in Sarnia—I share the last gentleman's thought—is that here is the place to use gas to generate power that would not necessarily require the very expensive conversion from electricity to gas in an existing home.

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Another thing that is somewhat of an advantage in Sarnia is that most of the industries that might be the host for the NUG own large amounts of gas reserves. In essence, they are selling themselves their own gas and wheeling it through Consumers' Gas or Union Gas. I am not an expert in the gas business, so I will not dwell on this any further, but you can realize that Imperial Oil and Nova and Sunoco and Shell all have access to gas. So to some extent they can control the upside, the increase in cost.

Another thing that bothers me a little is a bit off the subject, but I think you should be aware of it. Right now with gas-fired NUGs the discounted return on investment is between four and five years, depending on the size, what Hydro's rules are, the cost of money and so on. It is almost impossible to get financing from our schedule 1 banks for NUGs. I have to go to the Pacific Rim to find financing. That does not say much for our banking system. It is really hard to understand. If you can cut a deal between Ontario Hydro and Union Gas and Consumers' Gas and Imperial Oil and still cannot find the money for something that is almost a shoo-in, there is something wrong with our banking system, which made a huge amount of profit last year. I can go to large corporations like ABB and Hyundai and get the money if I have the deal, but if some of these NUGs go down, the money is going to go out of the country, and so are the profits. I find that very frustrating as a consultant and as a Canadian and as an Ontario resident.

I will stop at that. I am sorry if I have been somewhat disjointed, but I will leave you to ask questions, some of which I most likely cannot answer.

**Mr Jordan:** Thank you for your very interesting and informative presentation. I personally found it extremely interesting, not only because you had spent 20 years with Ontario Hydro. You mentioned that there are a lot of good people in the utility but that there is a grey mass there that has become part of the problem rather than part of the solution.

**Mr McGarry:** Yes. I do not think that is necessarily the fault of the individuals. It is in some cases; everyone has dead wood. But in a lot of cases it is part of the system. With a big corporation there is a section in the centre that becomes somewhat brain-dead after a while. I will give you an example. I am not whistling Dixie here. I was at a meeting with Ontario Hydro, when I was engineering in Richmond Hill. They told me I had to install \$160,000 tone equipment to convert to fibre optics. I can tell you that we run complete refineries on fibre optics at \$50,000. Here is \$100,000 being grossly wasted for some reason. They need to get with it. It was not up for discussion. These people were brain-dead. They did not hear what I had to say. I can go on with numerous other examples.

**Mr Jordan:** But we have had Cresap go in and do an analysis of the operation and the administration. I am receiving complaints from the Association of Major Power Consumers in Ontario and others that the operation—they refer to it as the OM and A budget, the operation, maintenance and administration—is completely out of proportion

to the requirements for a utility of that size. Would you comment on that?

**Mr McGarry:** I have two large transformer stations under construction in Toronto. Both of those were engineered with five to six engineers. I will not even give you a figure for the number of people on the budget Hydro would have for engineering those stations. It is a great deal more than five or six people. It is not the fault of the individual engineers; it is the fault of the system where you arrange to have meetings to defer decisions to—

**The Chair:** We are familiar with that, Mr Jordan. That sounds like Queen's Park over and over again.

**Mr Jordan:** But how do we turn it around, sir? Just your own opinion, having been on the inside of the organization.

**Mr McGarry:** There are some very progressive managers. I have to give an attaboy to a gentleman in the back here who has a degree in economics. I am quite sure he could whip the corporation into shape if he was allowed to run it somewhat as a business fairly quickly and convert it into profit centres or, if you wish, loss centres and see who could lose the least.

**Mr Jordan:** I was interested in the breakdown you have.

**Mr McGarry:** That is how Imperial Oil runs. By God, if you lose for long, you are out the door with your hat in your hand. You have heard that with Petro-Canada and others. People in Hydro have not had that reality. If I bring an Imperial Oil or Sun Oil project in 10% over budget, my fish is cooked, never mind 400% and 500%, okay? So I think there are ways. I am not an expert in management, but I think there are ways.

**Mr Jordan:** I do not really think getting politics or governments involved is going to help it that much.

**Mr Klopp:** It has never been involved yet, eh?

**Mr Jordan:** No, but you know what happens.

**Mr Wood:** You mean you were not involved for 42 years.

**Mr Jordan:** You just get more bureaucratic.

**Mr McGarry:** I would not like to comment. I have a deep suspicion of politicians, gentlemen. As you know, there are very few things run by government that are run lean and clean. I do not think the intention of this bill is to have Mr Huget become an expert in running Hydro. There is good and bad. Depending on which hat I am wearing, there are both pros and cons. I am a little uncomfortable with having the Hydro board of directors not be accountable. I sit on a number of boards. My ass is out on the end of the table, and that is where it should be, or I should get off the board.

**Mr Huget:** Thank you very much for your presentation. So that you are aware, Mr McCartney of your organization was aware of the hearings. He may not have been aware, I think, of the Chatham location, so perhaps in your different travels the wires got crossed somewhere. I am glad you are here today.

You mentioned a couple of things I am very interested in: the robotizing and computerizing industry and the fact that an energy policy in Ontario should be part of a solution and not a problem. I know this might lead to a lengthy answer, but I think it is worthwhile. I would like to know your views on what role energy policy will play in a different economic structure and a different industrial structure in Ontario. How do you see that unfolding?

**Mr McGarry:** As you know, a lot of our industries are still making buggy whips. Not only are they making buggy whips, they are making buggy whips with yesterday's technology and an undertrained staff. We, the people of Ontario, and you the Liberals and Conservatives over the last 30 years, have been subsidizing inefficiency. It has come home to roost, but there is hope.

For instance, there was an old Brown Boveri plant on Dixie Road that was building switch gear. It was bought out by ASEA and is called ABB now. They closed it down about a year ago. It was not competitive. It was doing things by hand, wiring stuff with paint-by-number kind of procedures. They built a new plant, which you are going to see on your way home tonight in Milton, with a great big ABB on the front of it. That plant is computerized and robotized.

The ASEA portion of ABB is expert in robotics. That plant will produce switch gear for a world market. They have cut their staff considerably and increased the skills of their staff. No doubt there will be some temporary dislocations of some of the people who were in the old Dixie Road plant but, by God, gentlemen, if we do not get on with some of this and attempt to retrain some of those people—a lot of them at the old Dixie Road plant were from South America—to do something else that is valuable, we cannot keep subsidizing the old Dixie Road plants. We are dead in the water if we do that. Everything will get all balled up unless we can deliver clean power at cost. We may argue over what the cost is, but I dare say the cost does not include other agendas. If we want to do that, then we should tack it on the taxes or something because we end up making the ABB plant in Milton 20 years down the road another dead dog kind of thing.

Most of our people are very good. I have travelled extensively across Canada and into the United States. There is a little bit of featherbedding, but really it is not bad. I think the system has done us a disservice. The universities have done a disservice to some of our people. I am a product of your college system, by the way. I am an engineering technologist who graduated almost 30 years ago. I have travelled across the country teaching and speaking on energy issues. I have taken many courses at both university and college. Occasionally I am accused, like Mr Kormos, of allegedly talking too much, or at least the papers say that. But that could not be the case, could it?

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**The Chair:** You cannot always believe what you read.

**Mr McGarry:** You are right.

**The Chair:** But then again some of it is true, and I am not saying which is wrong and which is right.

**Mr McGarry:** I think our colleges and some of our high schools are heading in the right direction. I see seven- and eight-year-olds who know more about computers and VCRs than their fathers do. I think statistics say most adults cannot program their own VCR. Believe me, if you are something less than my age you had better damn well learn to handle that technology because your future is going to depend upon it.

**Mr Huget:** I am very much a believer that there is a future opportunity economically or in terms of any other number of areas for Ontario, and one of them is in environmental technology and taking a leadership role in that field. I also see one in energy-efficient technology. I wonder what the demand is in other parts of the world for leading-edge technology in terms of energy efficiency. I think it plays a very important role in the sustainability of our business here in Ontario, but I wonder what you sense in your travels in other areas of the world. Is it an issue at the forefront, not discovered, or somewhere in between?

**Mr McGarry:** I think in the medium term you are very likely correct, but in the short term, for some of our industries out there, it is all they can do to meet the payroll next month let alone change the lightbulbs. Some of the energy things I see going on are somewhat boondoggles at the moment. Generally the rule is that if you cannot pay for it in two years, including the interest, if you cannot count on a return of investment in two years, you are very likely whistling Dixie. A lot of our energy initiatives right now in this environment just do not have that kind of return. We talked to the manager of factories and he says he would like to change those lights, but how is he going to meet the payroll next month, so on and so forth. In the medium term we have to be a little bit careful that we do not send \$2 chasing \$1 worth of savings. There is a balance there. I am not sure how we find it, but I heard a lot of people here today wanting to throw money at the problem and I suspect that is not the wise thing to do.

I also get the feeling as a consultant—some of you may know I was chairman of the energy from waste committee and we will not get into that; that is a political nightmare. There seems to be an agenda on the part of some people that would have us all become tree huggers in a hurry. You and I ran Lambton generating station for 25 years without scrubbers. Maybe we should run it for another couple rather than greatly increase the cost of power at a very critical time. We have to be a little bit careful that we do not kill the baby while we are trying to resuscitate it. I hear great concern on the part of little people about the price of power.

**Mr McGuinty:** I have been listening with great interest to what you have been telling us, Mr McGarry. The major power consumers have been telling us, and I have some of the material, that most of the energy conservation and efficiency inroads that can be practically made have been made. I am also hearing from people from the public utility commissions that it is their belief rates will go up. It seemed to me that the major power consumers' industry is going to be hit hardest, since they have made whatever inroads they can and now their rates are going to go up.

I just wanted to read something I have here. It is a speech given by Lester Thurow at the Aylmer conference in 1991. He talks about the kinds of industries he thinks we are going to be talking about in the next century. He says:

"Not too long ago I received a document from the Japanese government...called Vision of the Nineties. And the question was, What industries should we, the Japanese, target for dominance in the 1990s and the early 21st century?... The Japanese list had seven industries on it: micro-electronics, biotechnology, telecommunications, civilian aviation, the new materials science industry, robotics plus machine tools, computers plus software."

He then goes on to say:

"A few weeks after that, I'm happy to be on the mailing list of the economics department of the Deutsche Bank. The Deutsche Bank owns about a third of German industry and the Deutsche Bank sent me a document that said, if we are going to generate a high standard of living for our citizens in the 21st century, we the Germans must dominate the following seven industries. What do you think was on the list? Microelectronics, biotechnology, telecommunications, civilian aviation, the new materials science industries, robotics plus machine tools, computers plus software."

They seem to have come up with the same list. Let us say that somewhere the powers that be want to bring that kind of industry to this province. What is that going to mean in terms of our electrical requirements? Are we going to need more electricity if we get into that? Is it going to be less? What about this distinct possibility that our rates are going to go up? What implications will that have on people looking to possibly invest here to set up those kinds of industries?

**Mr McGarry:** We are going to need more electricity and definitely electricity equal to or better than what it is now, with fewer disturbances. For instance, Richmond Hill is putting all its systems underground. They are trying to encourage computer centres, without disturbances, clean power with no interruptions so they do not have trouble with computers, robotics and so on. I am not surprised at the list at all.

I travelled to Korea just before Christmas to buy transformers, by the way, at 35% less than you can buy them in Canada, with Hyundai. I was surprised. About 65% of that plant is robotized. It is not a matter of throwing people at it; it is a matter of working smarter. We have to do the same thing. Korea does not have a lot of people compared with the rest of the Orient. I think they have some 55 million and we have 27 million. We are not really in the people business in Ontario, so I think we have to learn to work smarter. We have to use the skills we have and we have to develop new skills.

Back to the first part of your question, I think there are more improvements. Maybe we should be making cars in the middle of the night. Maybe we should be encouraging General Motors not to make cars during the day and shift the peak and change the rate structures to the point where that becomes viable. I still think there are real savings. My appliances in my house are—let's see, I have been married

25 years now; my wife would give me hell—about 25 years old. When I cook the turkey I heat the kitchen, then I run the air-conditioner to cool it off and neither one of them is working efficiently. So there are some real basic things we can do that will save energy.

1530

At Vaughan Hydro two years ago the peak was increasing at 22% and the energy at 18%. Some of that was waste but most of that was developing new 3,000-square-foot and 4,000-square-foot service industries. Since then they have been going downhill and they are still going downhill, but that is what we have to encourage.

If you have taken the time to drive in north Toronto, Mississauga and Brampton and Vaughan and Richmond Hill and Markham to look at all the little companies that are still making a go of it, making widgets and digits, the field has changed. Some time in late November Ontario Hydro invited myself and ABB, that switch gear factory I told you about in Milton, in to discuss how we build transformer stations compared with how they build them. I started out by saying, "This has got to be the big and the small of everything." My company has roughly 20 people in it, and ABB is the largest multinational corporation in the world in the electrical business, just gigantic. They were interested in me because I had learned how to do something effectively, a quality product at considerably less than anyone else. They saw that part of their future at Milton was in delivering a full product. If that meant going in with a 20-man corporation, that did not bother them at all. You see strange bedfellows these days in the business world.

**Mr McGuinty:** Can you shed any light on the decision taken by Hydro recently, or I guess the government, with respect to the proposed NUGs that were going to go ahead, or had for all intents and purposes just been about to go ahead I guess at Windsor? There was a Transalta project and a Nordic Power project.

**Mr McGarry:** I am not privy to any of the details. I do have some details of the ones in Sarnia and I have to declare a conflict of interest at this point in time because I am part of that process. I also have to declare a conflict of interest with regard to what is going to happen to some of the industries, because I have privileged information.

In theory, I do not have any problem. If Nordic can swing a deal with Windsor Hydro and it is not to the detriment of the power system and it has the steam host, if it meets the rules under section 34 of the federal act for a NUG and it meets Hydro's rules for whatever it is, 6,000 BTUs per hour or whatever it is, then I think the corporation should not interfere.

That applies the same for Sarnia. If Nova decides to build a NUG and sell the power to Sun Oil or vice versa, then as long as it is not to the detriment of you and me as consumers in Ontario and that is a megawatt that you and I do not have to produce by any means, then they should be allowed to do so within certain limits. We do not want to get into the details.

**Mr McGuinty:** One final question, Mr McGarry. You made reference earlier to clean power and to how crucially

important it is to have reliable power when you are dealing with computers and robotics. Can you explain that? For instance, to use this comparison, if I have an electrical clock and the power stops even for a few minutes, I can simply readjust my clock. Why is it different when it comes to computers and robotics?

**Mr McGarry:** Large corporations have what they call UPS systems, uninterruptible power supplies, and they run their computers on the UPS system so that when they have a power disturbance the computer system is not affected.

I have 386 and 486 AutoCAD computers in my office in Sarnia. We are on the rural system, which is a four-wire system. Every time there is a lightning storm or a car hits a pole, we get a significant glitch, and I have had to replace three hard drives. The computer people tell me it is because I do not have clean power, and that is very much the case with computers as they are at the moment.

A momentary disturbance at Imperial Oil that shakes the system is in the millions of dollars a minute, and that is a million dollars that you and I are going to pay for. You appreciate that large corporations do not pay taxes, they pay dividends, and some of them do not even pay dividends lately. So it is going to be reflected in the cost of oil or gas or whatever it is. There is a technical argument as to how clean is clean, but we cannot allow the power system to deteriorate, because we need reliable, clean power.

**Mr McGuinty:** I gather this is going to be more important in the future with new kinds of industries than it has been in the past.

**Mr McGarry:** Yes. In particular, the very big ones can somewhat protect themselves, and the other thing that non-utility generators may do for the petrochemical indus-

try is that they may give the petrochemical industry a kind of ace in the hole in the event there is a disturbance. You will have some—just like Dow said; I forget the number—about 80% of their own power. Dow has been in the NUG business a long time, and in my opinion, it has been very productive for them. I think that in the medium term it will be productive for others, especially if they have the steam and they can be a steam host.

**The Chair:** Mr McGarry, we want to thank you for coming here this afternoon. One of the things that certainly impressed me, and I believe every other member of this committee as we get to travel about, is the incredibly high level of expertise and talent that is in this province and is eager to come forward and be of assistance. You illustrate that, along with the others who have appeared here this afternoon speaking to us.

I will certainly lend support to the criticism of our reliance on \$1,000-a-day consultants when in fact there is expertise out there. There are people who are willing to contribute for far less than some of those downtown Toronto types would rate themselves. So we thank you.

**Mr McGarry:** Thank you, and I will send you the bill later.

**The Chair:** It is in the mail. Sir, you have been interesting, as have the others this afternoon.

We are going to be back here at 7 o'clock tonight with participants, beginning with Grassroots Woodstock, and people of course are welcome to return. We thank you all for your interest and for spending time with us this afternoon. Take care.

The committee recessed at 1539.

## EVENING SITTING

The committee resumed at 1906.

## GRASSROOTS WOODSTOCK

**The Vice-Chair:** We will start this evening's hearings with Grassroots Woodstock, Mr Hardeman. Would you come up and take a seat in front of one of the microphones. For those people who are sitting out there, the coffee and juice are there for your pleasure. At your leisure, sir.

**Mr Hardeman:** I am Albert Hardeman. I am the president of Grassroots Woodstock. I would like to begin by telling you about our group, who we are and what we do, and then make our recommendations to this committee.

Grassroots Woodstock is a voluntary, non-profit group of concerned citizens working together to improve the environment locally and globally. Our membership includes people from various professions: teachers, farmers, entrepreneurs, engineers, parents and others.

Grassroots Woodstock provides a forum for learning more about the environment. We seek to broaden people's knowledge about environmental issues through our awareness campaigns, displays and the annual environment fair. We hold general monthly meetings and address specific issues of concern in smaller working committees where the emphasis is on research first and then action.

As environmentalists and consumers of electricity, gas and other fuels, we would like to comment on the proposed amendments to Bill 118 and the Power Corporation Act.

We support in principle the provincial government's attempt to make Ontario Hydro more accountable to the government and to the people of Ontario. We believe the composition of Ontario Hydro's board of directors should reflect Ontario's mosaic. Board members drawn from across the broad sectors of Ontario's population, including environmentalists, would result in representative decision-making.

There needs to be a fundamental change at Ontario Hydro away from promoting an increase in consumption towards simply providing an essential service while promoting conservation. Promoting electricity as a space-heating and a water-heating fuel is neither economically nor environmentally sound. Fuel switching from electricity to alternative fuels must become a top priority for Ontario Hydro.

The unit costs of production for electrical energy is more than natural gas, oil or propane. The environmental impact of electrical energy is greater than any of the alternative heating fuels. Air emissions—carbon dioxide, sulphur dioxide and nitrogen oxide—from coal- and oil-fired power plants are greater per unit of energy generated than natural gas. A reduction in electrical space and water heating would provide an economic and environmental savings, considering peak period reliance on oil- and coal-fired power plants.

It is logical that we encourage the cleanest, most efficient fuels. Electrical energy does not qualify as the clean-

est, most efficient source for space- and water-heating service. We recommend that Ontario Hydro provide financial incentives to switch to natural gas space heating, including clothes dryers and stoves, and water heating where gas services are available. Long-term savings will be realized by Hydro consumers if fuel-switching programs are implemented.

We have identified as one of the areas of concern in our community the prevalence of electric baseboard heating in high-density residential developments. The low cost of installation makes this expensive and inefficient method of heating attractive to developers. Most town house and apartment units recently built in Woodstock have electric baseboard and water heaters. Many of these are rental units. Incentives for fuel switching should include builders and landlords as well as tenants and home owners.

Fuel-switching incentives should also encompass household appliances. Most consumers, when purchasing a new appliance, decide solely on initial purchase price rather than the total cost spread out over the life of the unit, including the cost of use. Therefore, if Ontario Hydro is to encourage the most energy-efficient fuel, the best way is to provide assistance at the time of purchase.

We would like to take this opportunity to express our concerns about nuclear energy. We are concerned about the storage and disposal of nuclear waste. We also have concerns over reports of safety problems associated with the Candu reactors at Bruce, Pickering and Darlington. We understand from a source at the Atomic Energy Control Board of Canada that the Candu reactors at Bruce and Pickering have experienced pressure tube design problems. Basically these tubes have only lasted one half of their projected lifespan—a very costly design failure.

At Darlington, unit 2 experienced a fuel bundle break. It was contained. During this crisis, unit 1 was undergoing maintenance and was refused operating approval until the design problem was solved. The design problem was traced to vibrations of a pump, and baffles were tried.

Our point is that nuclear reactors are expensive to build, expensive to fix and have a high risk factor. These concerns, combined with an environmental impact of coal- and oil-fired generators, lead us to believe that in order for us to lessen their impact on our environment we need to curtail our use of electrical energy wherever possible. As a society, it only makes sense for us to continue to pollute our planet if we have another planet to go to.

I would appreciate answering any questions.

**The Vice-Chair:** Thank you very much. We have about seven minutes per caucus. I believe we left off before supper with the PCs leading, so it is Mr Huget this time.

**Mr Huget:** Thank you for your presentation. I notice in your presentation you state most of the town houses and apartment units built in Woodstock recently have baseboard electric heating. Can you give me some kind of a perspective of how many units we are talking about here? Are these big developments?

**Mr Hardeman:** Most of these are town house developments like cooperative housing developments. The baseboard-heated houses do not sell well to the general public. Most are rent-gear-to-income. The ones I am talking about were built two years ago. I do not personally know of any built within the last year.

**Mr Huget:** In your presentation you refer to fuel switching and you mention natural gas. I am curious as to what forms of energy your group would see us switching to other than gas. I think there are lots of sources of energy. What are some of those other sources your group would be in favour of, and why?

**Mr Hardeman:** Obviously where natural gas is not available we would like to see a little more interest in oil and propane, and non-polluting sources of energy such as solar energy and windmills. If they could work on some kind of two-way system where the energy generated would be used, where if it was not able to be used at that time it could be fed back into Hydro's power grid and used there, that would save on having to store it in very expensive and environmentally damaging batteries. Right now, I believe, in the rural areas where gas is not available, the only real alternatives are oil and propane, as far as fuels are concerned.

**Mr Huget:** Thank you. I will defer to Mr Klopp.

**Mr Klopp:** One of the concerns public utilities commissions probably have is that if all these things really do work in Bill 118, there will be a reduction in the amount of energy used, but they still have their fixed costs, so they are going to have to put their rates up. One of the arguments is that the consumer will go right crazy over this. However—maybe I am wrong; you have been around this—if my rates go up a little bit but my consumption goes down, my total energy bill will not really be any different; maybe it will even be a little less. I have been trying to convince people, but they say I am politically biased; I can understand that. But you are a consumer. Would you really go after your PUC if you could see these things happening as Bill 118 is trying to unfold or trying to put this message out?

**Mr Hardeman:** As a consumer, I would naturally object to my rates going up, but I feel that if we do not curtail the use of electricity, the rates are going to go up to a very large degree anyway because of the expense of instituting new sources of power.

On the second part, as you say, if we do put in the conservation programs, the savings you would generate—for instance, if you have electric baseboard heating and you save two thirds, which I believe is the figure that was quoted to me in some cases, on your heating cost with gas, then your hydro rate going up really would not be a great hardship on you because over your total energy bill you would save. I think we have to start looking at the total picture rather than just at one group like Ontario Hydro.

**The Chair:** Mr McGuinty. Before you start, let me apologize for not having been here at 7, but there were some phone calls I was a recipient of. I know Mr Waters took good care of what was happening.

**Mr Hardeman:** It is quite all right, thank you.

**Mr McGuinty:** Thank you, Mr Hardeman. Following up on that line of questioning, one of the concerns I have is the impact an increase in rates will have on our industries. I am sure you have heard as many times as I have about the new buzzwords of "global markets," "competitiveness," "productivity." They do have some basis in reality; I have no doubt about that. I am fairly convinced that industry has made very significant inroads in terms of putting into effect measures that conserve energy and increase efficiency, because it pays them to do so.

If rates go up for them, I am concerned about the impact that will have on investors who are presently located here and, of course, investors who are contemplating coming here. I am wondering what you think about that. What is your reaction to that?

**Mr Hardeman:** There again, I know personally that at the place I work, we have instituted a new lighting system under Ontario Hydro's conservation program. These areas are saving some, but in the long haul the cost of the power should be paid for by the people who use it.

If uneconomical baseboard heating is what is keeping the rates down low, there is something wrong with that system. If we need to use power uneconomically in baseboard heating in order to keep the rates low for our industry, there is something wrong with the way the system is designed. The cost of producing that hydro should be reflected in what the industry pays for it. If what you say is true, that we need to keep having electric heat in order to keep the rates low, then there is something wrong; we need to redesign the system. When we look at electric heating and it is uneconomical, it should be eliminated, because it is not environmentally proper and it is not economically feasible.

If this causes the rates for industry to go up, industry is only paying a fair price for the hydro it is getting. They are still only paying for what they are getting, what the cost is to produce the hydro.

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**Mr McGuinty:** Let's take that a bit further. I want you to consider my perspective as an elected politician. I want to keep the people in my riding employed if at all possible. Industry is telling me: "Listen, if you put your rates up, we have operations in Manitoba, in Scandinavia, in the States. If they go up significantly, we'll pull out." So you can keep your environment but have your unemployed. How do we deal with that?

**Mr Hardeman:** We cannot subsidize the rates to industry. I am not suggesting under any circumstance that we would charge industry more than what it costs to generate electricity. It is my understanding that the rates are going to go up anyway if we are forced to expand our generating capacity. Is that not correct? That is my understanding, anyway.

**Mr McGuinty:** That is what we were told, yes.

**Mr Hardeman:** If we do not do something to lower consumption, we are going to have to increase supply. That is my belief, that we are going to have a larger increase by having to increase supply than any possible increase we might have by lowering consumption.

**Mr McGuinty:** I thank you for trying to grapple with those questions; they are not easy ones. It is not easy to come up with the answers. I am wondering if it is a sad commentary to some extent that we have to pay people to switch off electricity on to gas. The market has done a pretty good job, but it has not gone all the way. There are still a significant number of people out there who have not made the switch from electric space heating to gas, for instance, where it is available. Let me put it this way: Should we be giving grants or loans?

**Mr Hardeman:** I believe we should be getting loans. The sad commentary, I believe, is the fact of the lack of education over the past years. For instance, in my statement we talked about how as recently as two years ago they were still building new developments with baseboard heating when it is quite obvious that is not the way to go. So somewhere along the line we have missed out on educating people on what is the best and most economical way to go. I believe we should have a combination of loans that can be repaid, and not necessarily at the current interest rates.

I do not think giving people something is going to help. I think it should be a program that encourages people to go in the direction they should be going in anyway. I do not really feel that just to hand them a grant should be the answer, but we should include that with an educational program to make people aware of what the costs are and what the advantages are of going in that direction. It seems at the present time that Ontario Hydro is the one that would be best suited to implementing this kind of program.

**Mr Jordan:** Thank you for your presentation and for taking the time to come and speak to us this evening. On the first page you say, "The environmental impact of electrical energy is greater than any of the alternative heating fuels." I wonder if you could enlarge on that.

**Mr Hardeman:** To produce a unit of energy for the electrical system, you also need to produce the extra energy to send it down the grid, to start with. So with a gallon of diesel fuel, you would be using more diesel fuel to produce that unit of energy than you would use for that same bit of heating oil at the house.

The second part is that from my understanding, most of the electric heating—water heaters, for instance—is at a peak time. Everybody takes a shower at 8 to 9 o'clock in the morning, and that is peak-time generation. Most of the energy we use at the peak time is from coal- and oil-fired generators. So the energy you would save by cutting down on electric space heating is the most environmentally damaging of all, to date anyway. We have not had any of our nuclear reactors blow up yet, but to date the most environmentally damaging are the coal- and oil-fired generators. By cutting back on electric space heating, I believe we would be cutting back on the most environmentally damaging of the generating plants.

**Mr Jordan:** To your mind if I just go back to the water heater for a minute? The system peak is at 6:30 in the morning, and then again at 11:30 before lunch and again at about 5:30 or 6 in the evening. With the electric water heater you have either 40 or 60 gallons, depending

on the size of your tank, that is heated up during the night when no one else, basically, is using it for cooking or lights. It heats during the night, so when you start your operation in the morning, you have a full tank of hot water. I just have a little trouble understanding that you think it is on from 8 to 9.

**Mr Hardeman:** What I am saying is that when people take their showers, that is when the hot water heater does kick in, like at 6. My times are out, yes, but that is when the hot water heater kicks in and starts using the maximum amount of energy. As I say, my times might be out, but those are the peak periods of electrical use.

**Mr Jordan:** But you knew they were designed so only half of them came on. One element or the other comes on, but not both.

**Mr Hardeman:** Yes, not both. But still the maximum amount of energy used is when the water is depleted and the cold water comes in.

**Mr Jordan:** For one element anyway. The bottom one does not come on, just the top one.

**Mr Hardeman:** But the peak—

**Mr Jordan:** Yes, I know what you mean. You said, "I don't think we should charge industry more for electricity than it costs to generate it."

**Mr Hardeman:** Yes, I believe everyone should pay the fair cost, pay his or her own way. I do not believe industry should be subsidizing home owners and I do not believe home owners should be subsidizing industry for its electrical power.

**Mr Jordan:** I guess I was picking up on your phrase, "We won't charge more than it costs to generate and deliver." The reason for that is that this bill to amend the Power Corporation Act is going to allow other costs at the discretion of the government, not of the Legislature. Just the government would have that decision. We members who are elected from other ridings and who are not of the government will not have anything to say on behalf of our constituents, because it will not come to the Legislature.

**Mr Wood:** The Tories did that for 42 years, Leo.

**Mr Hardeman:** Okay, yes. I understand what you mean.

**Mr Jordan:** I am concerned to see that any change adding something to my hydro bill over and above the cost of getting electricity should come through the Legislature so it can be debated and discussed at least. The government still has the power to enact it, but at least it would involve the assembly and not just the government members.

**Mr Hardeman:** To be honest, I really do not have the ability to make that kind of judgement.

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**The Chair:** We appreciate that candour, Mr Hardeman.

**Mr Arnott:** Thank you for coming in this evening, Mr Hardeman. On page 2 of your brief you recommended that Ontario Hydro provide financial incentives to switch to natural gas space-heating, including clothes dryers and stoves, and water heating where gas services are available.

I would just like to tell you a little bit about myself. I was married just over a year ago and my wife and I bought a house. We have been in it a year, January 1991. We bought a house serviced by gas and we heat it by gas. We had no appliances and we bought an electric fridge, an electric stove, an electric clothes dryer and an electric washing machine. In hindsight, if I were trying to make it the most energy-efficient house, perhaps I should have considered a natural gas dryer as well as a stove, but I had my other reasons and I went ahead with these four electrical appliances.

I have to tell you, I would be very embarrassed to come hat in hand to Ontario Hydro with these appliances that are a year old and say, "Give me an incentive so I can trash these or sell them secondhand to someone else so that I can convert to a gas clothes dryer and a gas stove."

**Mr Hardeman:** The answer for that is in there; that is what I say. The proper time for incentive is not for you when you have already bought the appliances. The time for the incentives, for any kind of incentives, if you want fuel switching—if this is what the answer is, and I believe it is—is when you went out and bought those appliances, so that the incentives would be built in to allow you to make the correct choice.

**Mr Arnott:** How would you restrict me from applying for the incentives after the fact? I mean, I could decide I wanted new appliances.

**Mr Hardeman:** I had a similar experience to yours, actually. I bought a house and the lady left a gas range in the house. It obviously was not in very good shape. I had a perfectly good electric stove. Within six months, this gas range bit the dust, but my wife refused to use anything else. So I went out and bought a gas range.

I repair things and I am mechanically minded, so I looked at the new gas ranges and they are actually a lot cheaper construction and there is actually a lot less to them than there is in the electric stove, yet they are almost twice the price. I did buy the gas stove, because I am henpecked and my wife said, "You have to buy that stove."

**Interjection:** We have got that on record.

**The Chair:** Mr Hardeman, all those confessions having been made, yours and Mr Arnott's, and we all sympathize with the sense of consumer embarrassment—

**Mr Arnott:** I am not embarrassed, Mr Chairman.

**The Chair:** It did not seem that way when you were confessing.

**Mr Hardeman:** I would just like to finish that point.

**The Chair:** Go ahead, wrap up.

**Mr Hardeman:** If the same number of gas stoves were sold as electric stoves, the price of the gas stoves would be a lot more reasonable and we would be buying them. As it is, people are not buying them because they are so expensive and they are rare.

**The Chair:** Other people have commented that if people like Consumers' Gas and its affiliates here and in other parts of Ontario which are retailing some of these gas appliances were serious—in any event, Mr Huget, you have 30 seconds left from your caucus's time.

**Mr Huget:** I would like to touch on the public education issue. You have raised it tonight. I want to take you back a bit into the Live Better Electrically campaign, which was a public education campaign to promote the use of electricity for space heating and hot-water heating in the province.

Ontario Hydro has a certain amount of funds allocated for energy conservation and part of those funds should be used for public education. Do you think there is a need for more public education and will it be effective?

**Mr Hardeman:** Yes.

**The Chair:** Thank you, Mr Hardeman. One of the things that has impressed all of us is the interest in this legislation and also the eagerness of people, yourself and others like you, to contribute to the process. Your views are well articulated and have obviously generated some interest and response by the committee members. We are very grateful for your having taken the time to come here. We trust you will keep in touch.

I should let you and others here know that you can obtain a transcript of these proceedings free of charge. Hansard records and publishes them and you can obtain a copy of the transcript for your own participation here, or, of course, the transcript of any or all of the committee's hearings over the last two weeks and this week, plus the next week we are going to do in mid-February. Get hold of your MPP's office.

#### UNION GAS LTD

**The Chair:** The next participant is Union Gas, which may want to talk with Mr Arnott later. Come up here, gentlemen, and tell us who you are. You may want to respond to the concerns about the price of household gas appliances.

**Mr Bergsma:** Mr Chairman, we will be happy to answer any of those questions.

My name is John Bergsma. I am the senior vice-president, regions, for Union Gas. What that means is that I have overall responsibility for Union Gas's distribution operations. With me is John van der Woerd, our marketing manager, who is responsible for gas marketing and our demand management programs as well.

It is our hope this evening to demonstrate in our submission that everyone in Ontario can benefit from economic and practical substitution of electricity by natural gas: electric consumers, new gas consumers, Ontario Hydro, the local electric utilities and society in general as well.

Union hopes to show that natural gas has currently some significant advantages over electricity, including lower prices, greater source efficiency and lower environmental emissions. Union believes that fuel switching to natural gas can be a less expensive alternative than either the addition of new electric generating capacity or even Ontario Hydro's demand management programs. By that we mean that we believe rates will go up less with substitution than they will under electricity demand management or under the construction of new generating capacity.

Although many customers in Union's service territory are converting from electricity to natural gas each year without incentives from Ontario Hydro, we believe that the

rate of conversion could be substantially accelerated with appropriate economic incentives. We would like to illustrate the overall saving to Ontario Hydro through a substitution example where the total reasonable potential for conversion in Union's franchise area is considered. Then we would like to give a further example that shows how the need for 100 megawatts of electric capacity could be eliminated if Union's system were expanded to a number of communities near Union's existing distribution system. This project could be completed if the cost of such expansion were shared by the beneficiaries of the expansion, that is, the participating customers, Union Gas and Ontario Hydro.

Just by way of background, before Mr van der Woerd takes you through some of the detail of those points, Union Gas is a natural gas storage, transmission and distribution company covering the territory, shown in the colours on the map, ranging from Windsor to Oakville and Owen Sound to Dunnville. Union has been in business for more than 80 years and has developed its customer base over 560,000 residential households and 60,000 commercial and industrial establishments, representing more than two million natural gas users. Union annually sells 271 billion cubic feet of gas, which is transported through 10,800 miles of pipeline. Contributions in the 200 municipalities that we serve include \$22 million in property taxes.

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Just for the record, Union is today actively promoting conservation in energy efficiency among its present customers, which has contributed to an 18% reduction in residential gas use per customer over the last 15 years. The kinds of programs included in our commitment to conservation are the promotion and sale and service of high-efficiency natural gas furnaces, the promotion and sale of low-flow shower heads and setback thermostats, participation in the development of new high-efficiency gas technology, contributions to a greater customer understanding of wise energy use through customer education, the introduction of new leasing and rental programs to defray initial costs of high-efficiency equipment, the promotion and support of cogeneration technology and, finally, the introduction and proliferation of natural gas for vehicle technology.

With that, I would like to turn the mike over to Mr van der Woerd to give you some of the details of the benefits that we see natural gas providing, and substitution providing, for all users in Ontario.

**Mr van der Woerd:** I would like to use illustrations, if I could, in making my presentation.

We have presented you with some information regarding the benefits of fuel substitution. That is the reason we are here this evening. Our first point would be that conservation through fuel switching to natural gas is going to benefit electric customers, gas customers, society in general, Ontario Hydro and local electric utilities. I would like to just take a minute and deal with each one of those.

First, electric customers will realize reduced increases in electric rates as Ontario Hydro chooses fuel switching rather than other more costly capacity options, including demand management programs. Second, new gas

customers will receive lower energy bills. Third, society generally will benefit through lower energy consumption and reduced environmental emissions. Fourth, Ontario Hydro will see reduced energy demand and thereby limit further capacity cost increases. Finally, the local electric utilities will pay less for electric supply and thereby manage energy costs for their customers.

To the extent that the local electric utilities have other concerns, which we have heard about as well, Ontario Hydro may wish to develop mechanisms to resolve such concerns in a mutually beneficial way.

The second point I would like to make is that there are really three reasons why natural gas ought to be seriously considered by the committee: cost savings for customers; energy efficiency improvements; and reduced environmental emissions. I would like to deal with those three.

First, I show you a chart which compares electric to gas annual operating costs for a typical household in our territory. The bottom line is that for the typical household, switching to gas from baseboard electricity is going to save just short of \$800 a year in the annual operating cost. That is about a 56% savings.

Second is the issue of efficiency. The concept we would like to share with you is that of source efficiency, that is, efficiency from the point of source to the point of use. What I am showing you here is a comparison of the efficiency of electricity and gas from source to use. We have calculated energy equivalents measured in kilowatt-hours. It could have been measured in BTUs or some other units, but for ease of comparison we have chosen equivalent kilowatt-hours. The amount of kilowatt-hours the system would have to consume in order to heat a home is 65,000. For an equivalent gas home it would be 33,000. Net saving: 32,200 kilowatt-hours. That of course is a significant saving.

The third point in the area of savings is societal benefit. The societal benefit we articulate here is in relation to carbon emissions. Of course, there are other benefits to natural gas in terms of nitrous oxide emissions as well as sulphur oxide emissions and particulate, but we will deal specifically with carbon, the greenhouse gas.

You can see that there is about a 65% saving in carbon emissions between electric and gas. This is comparing electricity at the margin; that is, the marginal portfolio of electricity that would be displaced through substitution, which includes coal, hydraulic and nuclear, would have this type of carbon emissions in order to generate electricity, and it would compare to gas this way in terms of the amount of kilograms of carbon. As you can see, the saving would be in excess of 3,000 kilograms.

The next point I would like to deal with is the issue of savings to Ontario Hydro. Our paper deals with issues relating to the relative costs of various capacity options for Ontario Hydro. I have given you a conservative estimate of what new electric generation will cost Ontario Hydro, at \$800 per kilowatt. This is actually the cost of NUGs. It would also be the cost of coal. This number would be about \$6,000 for the cost of Darlington, and if you wanted an average portfolio cost, it would probably be around

\$3,000 per kilowatt, but for ease of analysis we have used \$800.

Ontario Hydro's DSM programs are in the range of \$600 per kilowatt today; some are a little higher, some pay a little lower. Then Union's cost, or the cost that would be required for customers in Union's area to be able to switch, we think at the upper limit is going to be \$300 per kilowatt. There would be significant markets that would be able to switch with lower incentives than this, but that is the relative cost of the options. Of course, Bill 118 creates the option for Ontario Hydro to consider this last line, which they now cannot.

Having looked at those numbers and accepted them for purposes of example, what we have done is a simple analysis to show you the cost to society if 1,000 megawatts of electricity were displaced by Union Gas, which is the estimate of what we think we could displace in our territory. The 1,000 megawatts times \$600 per kilowatt, with a few extra zeros added, is a cost saving for Ontario Hydro of around \$600 million. Looking at our alternative at \$300 million, we think that fuel switching in Union's territory for this particular 1,000 megawatts is going to save the people in our area \$300 million in supply cost.

As Mr Bergsma mentioned, to give you an example of what fuel switching means in terms of expanding our territory, which is only one small component of a fuel-switching program, the component that deals with expanding our territory beyond its current bounds, we think we can offer gas service to a variety of constituencies, many of whom are impressing upon us the want for our product and have petitioned us and have written us letters and there have been town councils that have asked us to appear to explain to them what it would take to get gas. All of that combined is about 100 megawatts displacement for Ontario Hydro.

The way we would see this particular program working is that the customers would pay around \$18 million for conversion costs, because it is in their interest because of the energy cost savings. We see Union paying as well, because we would put in distribution systems to the extent that we could do it economically. Then we would look to Ontario Hydro to help us with gas transmission incentives, that is, to get the pipeline to the communities so when we are in the community with gas we can run the distribution system ourselves. Then in addition, because of the cost of going particularly to high-efficiency equipment, which I am sure we would want to do, there would be incentives related to conversion as well. Together this program would generate \$62 million in economic benefit for Ontario; that is for that particular 100 megawatts.

With that, I guess I would just like to turn it back to Mr Bergsma.

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**Mr Bergsma:** To summarize, then, Union believes that fuel substitution from electricity to natural gas, where economic and practical, is in the best interests of all participants and of society as a whole. We believe substitution offers cost savings for Ontario Hydro and the local electric utilities and also improves energy supply efficiencies and reduces environmental emissions. Ontario Hydro in partic-

ular stands to benefit through reduced electricity demand and therefore reduced supply costs. These cost savings would be reflected in reduced rates to the electric customers of Ontario Hydro and to the municipal electric utilities.

Union supports fuel substitution to the extent that it is economic to both Union and Ontario Hydro. Union believes that overall economic benefits should drive the decision-making process, with government providing leadership in the form of policies and legislation that promote and facilitate the wise use of energy.

Union Gas is well positioned to accommodate an increased role for natural gas in its territory. Union has an excellent delivery system for offering natural gas and offers quality service in a responsible manner and at competitive prices to its customers. Union looks forward to working cooperatively with governments, Ontario Hydro, customers, environmentalists and other interested parties in promoting economical energy supply in Ontario.

**The Chair:** Thank you, gentlemen. Mr Cleary, four minutes please.

**Mr Cleary:** Thank you, gentlemen, for your presentation. You mentioned Union Gas, you mentioned Ontario Hydro, you mentioned the customer. Should the part that belongs to Ontario Hydro for this efficiency program come in the way of a loan or a grant, and should it come from Ontario Hydro or should it come from the Ministry of Energy?

**Mr Bergsma:** I think our view is that certainly with Ontario Hydro promoting demand management and trying to reduce the rate of increase of its system, it is in its economic interest to spend up to \$600 per kilowatt for demand management. We are saying they can achieve the same end for \$300 per kilowatt through natural gas substitution, so it is a clear benefit to Ontario Hydro to support that kind of initiative.

On the point about whether it should be done as a loan or as a grant, I think that is something that is obviously going to get further consideration under regulations that may come out subsequent to the bill. But Union Gas today does have leasing programs for equipment in the social housing area and in some commercial establishments. That works in some applications. But again, if you can do it through some incentives other than loans, you are obviously going to accelerate the level of participation, and to the extent that Ontario Hydro is trying to drive down that additional demand, it might be in its interest to do so.

**Mr Cleary:** The other thing I would like to ask you is that many areas in the province do not have natural gas. Do you feel this same program should be available for alternative types of heat?

**Mr Bergsma:** I think that to the extent that it is in Ontario Hydro's economic interest in its load-shedding efforts and its demand management efforts, it should apply to other fuel substitution opportunities equally. I do not know what the arithmetic is relating to oil substitution or any other form of substitution, but to the extent that the arithmetic works, I would think that would be reasonable.

**Mr McGuinty:** It is my understanding that people have been switching off electric space heating to natural gas at an accelerating rate in recent years. Is that correct?

**Mr Bergsma:** Yes, that is right. In the detail of our document I think we may have indicated that last year we switched some 6,000 people over from electricity to natural gas.

**Mr McGuinty:** Have you done any projections as to how many you would anticipate would switch in years to come as a result of just the market forces?

**Mr Bergsma:** Mr van der Woerd may want to speak to this in more detail. I think our current forecast suggests about the same level of conversions for the coming year, and we really have not taken a detailed look very much further into the future than that.

**Mr McGuinty:** How many more years would we have to wait for people who are heating their homes electrically to switch to natural gas so they all switch, or all who are going to switch have switched?

**Mr van der Woerd:** The main reasons people are switching from electricity to gas at this point are two. One is if their existing electric system has reached its useful life and has to be replaced, and second, where the economics are favourable for a customer seeing a three- to five-year or maybe a little shorter payback. It depends on the customer.

In terms of baseboard electric heating customers, some of the people are switching regardless of the economics out of concern about the rate of increases Ontario Hydro has been announcing. In terms of whether it is economic or not, it really does depend somewhat on the individual situation. I guess the primary driver, in addition to the two I just mentioned, is electric prices, and that is difficult to predict.

**Mr Bergsma:** On a statistical basis we have roughly 80,000 electrically heated homes in the area we serve. Obviously if there are diminishing returns as you go out into the future, and certainly if you go back two or three years we were not anywhere close to converting 6,000, but if you wanted to take sort of the maximum point and divide 6,000 into 80,000, that gives you whatever: 13, 14, 15 years. But I think it would be substantially longer than that, because you are going to get into diminishing returns.

**The Chair:** Did you want to complete that sequence of questions with one short question? I thought you did.

**Mr McGuinty:** Yes, just on a matter collateral to that, Mr Chair. From a strictly economic perspective, if I were a financial analyst and I looked and on the left hand I saw that there was an entity, a corporation that stood to benefit as a result of something that was going on over here, and that there was a risk somehow that some of these people over here were going to be saddled with costs, and perhaps unfairly, I might say to myself, "Why don't we have these people who stand to benefit kick some money in?"

**Mr Bergsma:** I think there is really a very straightforward answer to that. If you look at this example where we have Union investing \$17 million in distribution lines, that would be done on a basis that is neutral with respect to Union's ratepayers. The customer is prepared to pay \$18

million because on whatever kind of payback he sees, he is held financially whole, if you will. That is what drives the need for the \$12 million of incentives on equipment and the \$15 million of incentives on the transmission system. If Union were to spend that money, the rates for Union's other customers would go up. By Ontario Hydro spending that money, its rates go up less than they otherwise would, so Ontario Hydro ratepayers benefit from that expenditure.

It does not seem reasonable to us to have gas customers have their rates increase because of a benefit to electric customers, so the approach we have taken is that you keep the gas customers whole and the benefit then goes to the electric customers. That is what justifies the expenditure by Ontario Hydro.

**Mr McGuinty:** I wish I had more time. Well, just briefly. The Chair has indicated briefly.

Public utilities commission people are telling me that hydro rates are going to go up as a result of fuel switching. They are telling me that Hydro's ratepayers are going to be hurt as a result of fuel switching. I am saying, why do we not consider the possibility that those who stand to benefit would pay for some portion of the costs associated with the transfer? It would seem to me that you would have to pay the transmission incentives of \$15 million notwithstanding the incentive program.

**Mr Bergsma:** Where it stands today, we do not go to those communities. Those communities do not have access to gas and will not obtain access to gas, because one of the things we would have to do is take that kind of proposal to the Ontario Energy Board, and the Ontario Energy Board would say to us, "You can't pass on unreasonable increases to other customers."

**Mr McGuinty:** But if the demand was there, surely you would have to pay those costs?

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**Mr Bergsma:** That assumes the demand is there.

**Mr McGuinty:** Yes.

**Mr Bergsma:** The other point about the municipal electric utilities I think is an important issue. Clearly, if our numbers are all right, and we think they are conservative, if electric demand continues without demand management, it is going to cost \$800 per kilowatt to add new capacity. That is going to reflect itself in higher rates for all electric ratepayers.

Ontario Hydro says that by spending money on demand management, we can reduce the rate of that growth. It has programs that amount to roughly \$600 per kilowatt to do that. That is a reduction from what rates otherwise would have gone up to. It is \$200-per-kilowatt reduction, if you will. What we are saying is that on a fuel-switching basis, Ontario Hydro is able to pick up another \$300 in avoided cost, which means that electric rates from Ontario Hydro to the municipal electric utilities are going to go up less than they otherwise would. That is what this is all premised on.

**Mr Jordan:** Thank you, gentlemen, for your very informative brief. Certainly it has been well presented, but I

am confused because of the advantages you have listed. I am not questioning them, but why do you need Bill 118?

**Mr Bergsma:** I do not think it is so much a matter of us needing Bill 118. I think what we are really seeing here is that Ontario Hydro and Ontario Hydro ratepayers need Bill 118.

**Mr Jordan:** Since when did you get interested in that aspect of marketing? This is where I am confused. All of a sudden they introduce Bill 118 and we find you out live-marketing. You have all the advantages there. Why do you need Bill 118? That is my question.

**Mr Bergsma:** Let me repeat myself. I do not think we need Bill 118, but doing some arithmetic on Bill 118, we see a role for the gas utilities and natural gas in that process. As John pointed out earlier, we also have a lot of requests for service from communities that are currently beyond our economic reach and the application of Bill 118 would be one mechanism to reach some of those communities.

**Mr Jordan:** In what way?

**Mr Bergsma:** Currently it is not economical, largely because of the cost of the transmission pipe. Let's take an example of a community we are not serving that is 10 miles away from one of our current transmission lines. It is the 10 miles of pipe, say 10-inch diameter or 12-inch diameter, that makes that project non-economical.

The notion here is that if Ontario Hydro were able to provide through its demand management program an incentive at approximately \$300 per kilowatt displaced, that would probably pay for the transmission piece of pipe. Once that transmission piece of pipe is paid for, then Union can meet the economic tests it is required to meet and provide service in that community.

**Mr Jordan:** You are hoping that through Bill 118 Ontario Hydro will extend your system.

**Mr Bergsma:** That they will help us to extend our system, yes.

**Mr Jordan:** You were saying if they paid that much, it would pay for the pipe.

**Mr Bergsma:** Yes.

**Mr Jordan:** In a free market and all these advantages, do you have conservation programs? Do you do residential home audits to conserve energy?

**Mr Bergsma:** We do not currently do residential home audits. We have had some discussion with Ontario Hydro because we know that it is planning major initiatives in this regard. I do not think they have all the details worked out yet. It seems to us that it probably makes sense for us to do that on a cooperative basis. We do not think it makes a lot of sense for them to go into homes and places of business and for us to follow them in with a similar program the next month or two weeks later. We would like to do that on a cooperative basis.

**Mr Jordan:** You mean a shared cost?

**Mr Bergsma:** Probably some form of shared cost or some form of shared implementation. For example, we often have direct access to customers in communities that

Ontario Hydro does not, because Hydro has to work through a local municipal utility whereas we are directly in those communities. There is some opportunity to work together. We have not worked out the details yet. One of the things that is standing in our way today is that Ontario Hydro really is only in a position to address conservation as it relates to electricity.

**Mr Jordan:** But they have been doing energy audits on all buildings.

**Mr Bergsma:** Electricity audits.

**Mr Jordan:** No, all buildings.

**Mr Bergsma:** Yes, but they are electricity audits. They are not recommending natural gas solutions.

**Mr Jordan:** No, they are just doing energy audits. You see, it does not matter what the fuel source is; they do the energy audit. The person is then free to put in whatever energy he likes, but the recommendations to correct the building are the result of the energy audit. I am just saying, are you planning to share the cost of that?

**Mr Bergsma:** We have not gone that far yet to discuss any of those details, but certainly we think there may be an opportunity to work cooperatively.

**Mr Jordan:** I just hope it is the customer who says the interest is in here and not just in increased markets. Thank you very much.

**Mr Arnott:** I am just wondering if there is anything that precludes you from initiating your own fuel-switching incentive program?

**Mr Bergsma:** We have fuel-switching incentive programs now. When we do our spring marketing campaign, we give people discounts on equipment purchases that are high efficiency. That is part of what is resulting in the 6,000-a-year conversions we currently have. We have made some limited what I would call line extensions to get to subdivisions or communities that we do not serve. I think what we are seeing here is that there is a significant opportunity to accelerate that program and to help Ontario Hydro achieve its objectives for its demand management. In the latest plan, if I am not mistaken, Ontario Hydro identifies some 3,000-plus megawatts on a provincial basis for fuel switching and part of that is the kinds of programs we are talking about here.

**Mr Klopp:** One thing a few people brought up that concerns me too and that I hope you can expand on is the security of supply. It is a buzzword that we have heard, but you guys are in the business a little deeper than some others and maybe you could expand on that a little bit.

**Mr Bergsma:** Yes, we can. I think from our standpoint and from my standpoint, in running the distribution business at Union Gas we do not have a concern about supply. If you are looking at natural gas pricing today, natural gas prices are at their lowest levels ever because there is an absolute glut of gas in western Canada. If you look at the number of years of gas supply available—I cannot tell you the exact figures; perhaps John can—I think it is 20-plus years. There is new gas being found.

From the perspective at Union Gas, we have access not only through the TransCanada system and the Great Lakes

pipeline system to western Canadian gas, but through our St Clair River crossing and our panhandle connection we also have access to US gas, so from a supply standpoint we do not have any concern. I think if you look at the latest version or edition of Ontario Hydro's forecast, having taken a pretty careful look at natural gas supply, it no longer has a security concern either.

**Mr Waters:** I am going to read a bit of an article from the Financial Times dated January 27, and I would like you to respond to it:

"Stripped of its mystique, a nuclear power plant is simply an expensive way to boil water. Unfortunately, Ontario Hydro has great difficulty grasping that concept. The run-away costs of our provincial crown corporation's steam kettle at Darlington, Ontario—\$13.5 billion with no real end in sight—threaten to overwhelm Canada's largest electric utility.

"Darlington, 60 kilometres east of Toronto, is about five years behind schedule. Each day its four 950-megawatt units are not in full operation costs Hydro—and ultimately all Ontarians who use electricity—\$3 billion in lost power sales plus \$3 million in interest charges."

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It goes on for a little bit. Somewhere down in the article it says that if Hydro doesn't change its ways by the year 2000, Ontario's energy rates will be 27% higher than the US average.

Do you see the switching as a means of helping to cut those rates and bring Hydro rates back in line so that the industry in Ontario can be competitive, energy-wise, with its US counterparts south of the border?

**Mr Bergsma:** Yes, we do. The key to that is the difference between \$800—keep in mind that is at the NUGs level; as John pointed out, if you are talking about nuclear, that number is something like \$6,000—versus \$300. That is on a per-kilowatt basis. If you look at the 3,000 megawatts natural gas could displace on a province-wide basis, that is a significant contribution, but it is not so big that it really makes a dramatic difference to the overall cost. Even if you look at the 1,000-megawatt potential in Union Gas territory over Hydro DSM, that is a \$300-million saving. If you compare it to the NUGs, the \$300 becomes something close to \$500. If you then compare it to \$6,000 you are talking billions of dollars of savings that are costs Ontario Hydro would not have to incur.

**Mr Waters:** Basically, what you are saying is that if Ontario Hydro indeed wanted to give its customers power at the cheapest cost, it would therefore be in favour of switching and assisting people to switch, because in the long run the cost is cheaper for that Hydro customer.

**Mr Bergsma:** We believe that to be right. I think it is important to reinforce the point that from our standpoint, we would not suggest that Ontario Hydro should do anything that is not in its own best interests. We just happen to believe that fuel switching is indeed in its best interests and we hope that some of the numbers we have presented here today illustrate that.

**Mr Waters:** What I am wondering about is switching. We talk a lot about switching houses and the odd time

about industry. Do you get involved very often with people who want to switch and try to work out savings or cost differences on large scales? We have a thing from the Metro board where it is going to save \$1,760,000 on 32 schools. Is there much of that?

**Mr Bergsma:** There is some of that. Mr van der Woerd can give me detail.

**Mr van der Woerd:** Probably a good specific that gives you an example is that the Ontario Housing Corp has 178 buildings in Union's territory and about 500 high-rise buildings in Ontario generally. The Ontario Housing Corp came to the Ministry of Energy and the Ontario Natural Gas Association, which we are a member of, and said: "What can we do?"

We now have the three utilities financing out of the energy saving the switch of water-heating systems, air-handling systems and soon the heating systems as well. We are financing that program out of the differential between their electric bill and their gas bill. In the first couple of years, which in the case of OHC is like two years, they are able to make that switch. They can do that because of the size of the saving in that particular instance. That activity is happening.

In addition, as Mr Bergsma was saying, there are a number of communities that we have been able to get to because of the energy cost savings, and in some cases customers are prepared to actually contribute because they are really desperately interested in saving money and getting on to what they perceive to be a heating commodity that is stably priced.

In the industrial sector, just as an example, something that is going to require incentives is, General Motors has approached us about air-conditioning one of their manufacturing facilities. It will be a 4,000-tonne cooling facility which could be done on gas engine-driven cooling, but it cannot be done without incentives. There is 1.8 megawatts, so that is an example.

We have a list of 300 constituencies including town councils, etc, who have written to us, petitions from every single member of the community saying, "When are you coming?" The mayor of Grand Bend is an example, and others.

**Mr Waters:** The question is, when are you coming?

**Mr Van der Woerd:** We are going to be coming as soon as we can resolve this issue.

**The Chair:** Gentlemen, I want to thank you for taking the time, along with others, to come here this evening. You have provoked some very significant discussion and debate, and we appreciate your contribution to the process. Thank you; take care.

**Mr Bergsma:** Glad to be here.

**The Chair:** I trust you will be keeping in touch.

#### WALLACEBURG HYDRO-ELECTRIC SYSTEM

**The Chair:** The next participant is the Wallaceburg Hydro-Electric System. This time we have Ted Oliver, the general manager. Sir, please be seated. We have your written submission. It is part of the record and will become an exhibit. You can read it or highlight as you wish. Please leave us some time for questions and discussion.

**Mr Oliver:** Thank you, Mr Chairman. I would like to highlight the presentation, because I think if I just left it with you, there might be certain key points that would not have been underlined the way I would like.

First, I would like to explain that we are very well aware that you have heard from many members of the Municipal Electric Association and are well aware of our concern about changing the mandate of Ontario Hydro through directives and the problems of fuel switching.

I am delighted to have been able to hear part of the presentation by Union Gas on fuel switching, because our utility and I think many other utilities feel there is definitely an area where fuel switching can be an advantage to both sides. However, we feel this should not be at the expense of Ontario Hydro or at the expense of the electric users, and I was pleased to hear the gentlemen from Union Gas express that they would not wish initiatives which would be harmful to Ontario Hydro.

We feel a deep concern that the basic principles upon which Ontario Hydro was founded have been subverted by successive provincial governments of three different parties during the past decade.

Sir Adam Beck—his name has been recalled many times over the years because of what he contributed to the growth of Ontario—one of the founding fathers of Ontario Hydro, carefully planned the creation of this corporation so that, while created by the government of Ontario, it would not be a political instrument.

In the creation of local municipal utility commissions, he saw to it that these commissions, while created by a municipal council, would be free from political influence of the council in the conduct of the day-to-day business. These local commissions are driven by economic and market forces to provide services to their customers at the lowest possible cost, consistent with the degree of reliability their customers are prepared to accept.

A place that will tolerate few interruptions will pay more for electricity than a place that will accept unlimited interruptions. However, if the supply of power from Ontario Hydro is compromised, all municipalities will suffer and industry and commerce will go elsewhere.

Changes in the cost of power: In the changes mentioned earlier, we have noted the Progressive Conservative government established a water rentals charge for use of water flowing through the turbines.

The Liberal government, following the PCs, added its share of taxation by charging a fee for a loan guarantee for Ontario Hydro's borrowing, despite the fact that the guarantee has never been required.

The present New Democratic Party government has now evidently chosen to transform Ontario Hydro into an instrument of social change, but this change is a complete reversal of the role Ontario Hydro played since its inception. In the beginning, it was believed and proven that the spread and increase of the use of electric power would contribute to the development of industries, towns and cities and would reduce the drudgery of manual labour in factories and homes and on the farms.

By first declaring a moratorium on nuclear generating plants, the government has set a limit to Ontario Hydro's

growth. By further restrictions on emissions from thermal generating stations, the government has added large increases in the cost of power. As most of Ontario's hydraulic plants are ancient, over 40 years old, the costs to refurbish them will be another burden on rates.

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To imply that we can meet our power requirements without new generation by Ontario Hydro means a great reliance on energy efficiency, load shifting and private generation. Perhaps greater than any of these factors will be the plants shifting to another province or another country. To the best of our knowledge, Ontario is the only place where the government intends to attract and hold industry by providing less power.

By comparison with Sweden, in 1980 Sweden had a moratorium on nuclear power, and through a plebiscite the public decided that operating nuclear reactors should be shut down. This was to begin in 1995 and be complete by the year 2010. In government bill 1990/91:88 (reference 1), Sweden's government brought down a bill which agreed with the principle of shutting down nuclear reactors but set no fixed dates for starting or completing the process. This, by the way, is a bill which was brought down approximately one year ago. It did note, however, that nuclear power generation is 50% of Sweden's total.

In the same summary it is noted, and I quote a few passages from the report:

"The measures proposed here lay the foundations of a competitive and ecologically appropriate Swedish energy supply. They imply vigorous action for improved energy conservation and a firm commitment to the development of new, environment-friendly power production.

"In addition to safety requirements, the transformation of the energy system must be governed by considerations of the electrical energy needed for the maintenance of employment and prosperity.

"The phase-out of nuclear power will eliminate roughly half of Sweden's present electricity production capacity. The loss will have to be offset by means of electricity conservation or the establishment of new electricity production."

I would comment at this point that part of that equation has already been applied in Ontario in the energy conservation, but I think we are neglecting to realize that if the electrical system is to remain healthy, it must be allowed to grow some time in the future.

"Sweden's energy supply in the past few decades has been characterized by falling oil consumption and rising electricity consumption for domestic heating and for industrial purposes. Use of oil products has increased, however, in the transport sector. Total energy use has levelled out and was roughly the same in 1989 as in 1970."

I do not think anyone can say the same for Ontario's energy picture. I think the consumption of energy in Ontario in 1989 was many times what it was in 1970. I am not clear on the gas supply situation in Sweden, but I believe, since it is not referred to, it does not make up a very substantial portion of the energy supply.

"Even with a successful program of electricity conservation, however, one cannot discount the possibility of a rise in total electricity consumption.

"At the same time, it is essential both in the short term and the long term that there should be a good margin between capacity and first-rate electricity consumption. Steps should therefore be taken to encourage the expansion of environment-friendly electricity production."

Concerns over cost of electric power: Our customers have very serious concerns about the cost of power as it relates to the cost of their product.

For the benefit of the committee, I will say Wallaceburg is a small town of about 12,000 people, 24 kilometres north of Chatham, which takes about half the power consumed by the city of Chatham and its industries, which has a population four times the size of Wallaceburg. So our industries are especially important to us and we take special care to be in touch with them and work with them if they have concerns. When they want audits, we work with them through Ontario Hydro and we follow through to see how much implementation can be done.

During the past year, from 1991 to 1992, the rate increase was 12%, and we have been told by Ontario Hydro that future increases could be 11% per year for 1993 and 1994. Our industries have told us that this increase is unacceptable, as it will mean, first, the elimination of jobs to keep the cost of their product down and still pay the rising cost of power, and second, moving their plants out of Canada into the United States or other jurisdictions.

These statements are no idle threats, as these customers have been faced with tough market competition which in many cases dictates that they cannot pass any increase in the cost of their product to the consumer. Therefore, the only recourse they have in meeting higher power costs is to eliminate jobs in the plant of a dollar equivalent to the dollar increase in the cost of power. These same industries will be among the first to complain if the power supply from Ontario Hydro, or any other source, is unreliable to the point that they are faced with power interruptions more frequently than they have been used to. This relates to the capacity of Ontario Hydro to meet its total demand load at all times. Therefore, brownouts or blackouts would speed the day when these plants would leave Ontario.

Where are we going? At the present time, local electrical utilities who have seen additional taxation by two previous governments and have seen price increases in the cost of power of double-digit size are rightly concerned that the earlier relationship between the Ontario government and Ontario Hydro has greatly altered, though we hope not irrevocably. All efforts by our Municipal Electric Association to persuade the provincial government to back off from imposition of the water rentals tax and the loan guarantee tax have failed to find a responsive ear; this is not the present government, but previous governments. Perhaps the earlier governments felt that a small tax would not really be felt by the electric users in the province. However, these two taxes do amount to a significant portion of the cost of power supplied by Ontario Hydro: 1.5% for the water rentals tax plus 3% for the loan guarantees for a total

of approximately 4.5% or about half of the increase from last year to this year.

Also, the application of the GST to our residential customers is an additional burden here which is not negligible. Water users are free of this tax. Is water really any more essential to life in these times than electricity? While a trend in sales of other energy forms has been to let market forces work and provide a lower price for the consumer, as in the case of natural gas, government regulation and government taxation have driven the cost of electricity upward. Therefore, any further addition to the burden of electric users by indirect taxation through incentives for fuel switching will be counterproductive. Our industrial customers are already complaining about the recent levels of rate increases, and a further increase of whatever amount for fuel switching could be enough to force them to close.

There is also the question of fairness to those who have already switched fuels. Individuals and firms who did this on the basis of good economics have a legitimate complaint if their neighbour or their competitor is now given an additional subsidy by Ontario Hydro.

While it may appear that we are singing a song that has no hope of being heard, we long for the day when Ontario Hydro returns to the business of producing power at as low a price as possible, consistent with reliable delivery of the product. Many aspects of business today are much more complicated than they were in the days when Ontario Hydro was created. However, we believe it should be the job of legislators to simplify the process of enabling Ontario Hydro to get on with its job. This raises the question of, "What is Ontario Hydro's job?" Members of our association have felt that, from the beginning, it was to provide power at cost. It is our earnest hope that the members of your committee will make recommendations that will lead us to the day when Ontario Hydro will be allowed to act within its own sphere with the full support of the government, and to carry out the wishes of the government in a way that is economically sound and will provide for the greater good of all the citizens of this great province.

**The Chair:** Thank you, sir. We have four minutes per caucus.

2030

**Mr Arnott:** Thank you, Mr Oliver, for your presentation this evening. We have had a number of suggestions from various presenters over the past couple of weeks about an ideal board of directors for Ontario Hydro. I wonder if you have any suggestions as to how you think the board should be set up.

**Mr Oliver:** I have not really given the matter much thought, except to know that in the past there was representation from our electrical association. That is not mandatory on the present board. In the past, up to two members of the smaller board were members or usually past chairmen of the Ontario Municipal Electric Association, which is now called the Municipal Electric Association. It would appear to me that since we are suppliers to 70% of the population and industries of the province we should have a significant voice on Hydro's board. Some

proportionate representation of the MEA, be it two, three or four, would I think be appropriate, considering the amount of input they should have.

Beyond that, I have felt that from the makeup of previous boards there was a reasonably good balance from different segments of industry. I believe there should also be representation from people who are not representing big industry but other special interest groups, if you wish, or people who will be representing the consumer at the level of a residential consumer and not a huge industry. As I say, I have not really given the matter much thought, but I feel MEA representation would be a must on the board, and it should be as broad a spectrum as you can. It would be impossible to have a board of 40 or 50 people; I would not suggest that. But a board of between 12 to 19 people who would cover the spectrum, and who would be representing different spectrums on the rotation, would in my mind be as ideal as I could see.

**Mr Arnott:** There have been a number of presentations and presenters who have stopped just short of calling the board of directors for Hydro a eunuch if Bill 118 goes through, in that the minister will have ultimate power to issue policy directives and the board will be emasculated of much of its power. How do you feel about that?

**Mr Oliver:** I think this would be a matter of how the government, through the Minister of Energy, and the Deputy Minister of Energy, being a non-voting member on the board, would see their role in the function of the board. My personal opinion would be that the government should have enough confidence in the chairman of the board to know it has a voice directly as the head of the board without the need to have the Deputy Minister of Energy present. I would not wish to prejudge how the board will act. I think it depends on the attitude both of the government and of the board itself, vis-à-vis the government, as to how it would turn out.

**Mr Arnott:** Bill 118 contains provisions that remove the accountability and the liability of some of the directors on certain matters.

**Mr Oliver:** I feel uneasy about that. I think any director of a large corporation—and Ontario Hydro is one of the largest—should be accountable for all decisions he makes and should be held to account for them.

**Mr Huget:** Thank you for your presentation. I want to quickly go to page 2 of your presentation. There you say that by placing a moratorium on nuclear generating plants the government has set a limit to Ontario Hydro's growth. Are you saying to me that Ontario Hydro's growth should continue the way it has in the past and indeed escalate unchecked? Is that what you are saying?

**Mr Oliver:** What I am saying is that to put a moratorium on the only considered feasible method of developing power in large blocks at the present time means that that option is definitely taken away. Thermal options are very costly because of the emissions problem. In effect, you have established a ceiling, that this is where Ontario Hydro is now. Barring minor cosmetic changes, it might increase by 5%, 10% or 15%. That is as far as you are going to grow, until we get to the day where we see some

alternatives that would be more palatable than nuclear power.

I do want to comment that a lot of us have Three Mile Island in mind perhaps when we think of nuclear power. We do not realize that more than half the generation in France is nuclear. In Sweden, 50% is nuclear. Sweden, while it had a revulsion against nuclear power, decided in this bill last year that it would have to review the question of timing of phasing out of nuclear power. The old idea was the nuclear power plant would be good for 25 to 30 years and would then go through a phase of being decommissioned. I think, like hydraulic plants, we are going to be seeing nuclear plants continue as long as they possibly can, regrettably, because of the large investment that is put in at the beginning.

I feel very passionate about this whole thing because I feel if you put a limit on what any organization can do in the way of producing its product and say, "You cannot go beyond this point," and then say further, "You will only survive by telling your customers to use less and less of your product," you are saying, "You will only grow by getting smaller." That does not make economic sense. I have not heard of any other business that has grown by getting smaller.

**Mr Huget:** I want to come back to the economic sense issue. You raise in your presentation the cost factor and the costs associated and the cost increases for hydro in the province. Hydro itself says the Darlington station and the nuclear refurbishing program are responsible for a large part of those costs. Is Hydro lying here? I mean, that is the fact.

**Mr Oliver:** I do not believe Hydro is lying, but I do believe that what Hydro is also saying in other reports is that in days gone past—this is also from the chairman of Ontario Hydro at the present time—Ontario Hydro was able to push its nuclear plants higher than anybody else in the world, to get the production out of its units at a higher level than anywhere in the world at the present time. They were running at rates of 85% to 90%, I believe, whereas most other operators throughout the world were content with 75% or 80%.

If you are running higher than the norm in your industry in the output of whatever type of production you have, sooner or later there is an economic price you have to pay. It may be that Ontario Hydro was unaware that operating at that level might produce premature failure and therefore premature cost. I am not pretending I understand where they all come from, but I do know that a large part of the costs, from what I have read, will be in refurbishing both hydraulic plants, many of which are 70 years old and older, and a lot are 40 years old and older. When you take the economic life of electrical equipment as 40 years, if you are getting 50 or 60 years out of it you are living on borrowed time and you are having to pay something to replace the windings and other components in that unit to make it economically successful to continue operating.

**Mr Waters:** I understand that the hydro commissions are basically a non-profit service to their community. Given that, if that is so, why would the local utilities not

assist the local taxpayers in savings? The end result here is dollars in somebody's pocket. Why would they not assist them in savings and, at the same time, assist Ontario Hydro through its customers with savings there because they do not have to build nuclear plants?

**Mr Oliver:** We are working with our customers to save on their cost of power. We have worked with Ontario Hydro, with approximately 12 different industries out of some 20 or more in town, and 12 or 13 commercial customers, to develop energy audits so they could save money on their power bills which would help to offset a good portion of the 12% increase they saw in the cost of power from 1991 to 1992.

Being a non-profit business means we do not have profits to share with our shareholders, which are essentially our customers, but we do feel it is our responsible business to provide savings to our customers if they are unaware that savings are possible.

I spent eight years working with industries in Wallaceburg to make them aware of the savings possible through installing capacitors with a two-year payback. In the last year, I have seen some of the first of those customers finally understand what it was I was trying to say, whereas it took some of the others no less than six months to realize what was happening. What got across the message was that in the whole energy audit that Ontario Hydro provided through its consulting service, the benefits to one customer of all of the savings that it could implement was no greater than what it could do by putting in capacitors, so right away that moved to a priority situation.

This can only happen if you are in touch with your customers and have the sense of what they can see as economically viable. I am always sensitive when you or someone else raises the question, why do we not help save our taxpayers or our customers money? We try to differentiate very clearly between a taxpayer, who can be anyone who is paying taxes to the municipality, and an electrical consumer or customer who is one who is connected to our system, is buying power from us and has an ownership of our system.

**The Chair:** One moment. Was that the question you were going to ask, Mr Klopp?

2040

**Mr Klopp:** No.

**The Chair:** Then ask the one you were going to ask.

**Mr Klopp:** Would you agree that building excess supply represents costs, like having excess inventory in a business? You referred to the fact that this thing has to be run as a business, for least cost and all that.

**Mr Oliver:** I heard the question, but I am not sure I understood the import of it fully. If I build extra capacity into our system in Wallaceburg, that is extra cost, to provide it before I need it. But it also means I have it when I need it if another industry locates there. If I do not have it when I need it, I have lost that customer. Usually there is enough time to provide the system increases if I have available capacity from Ontario Hydro. If we reach the point where Ontario Hydro is pushed between its margin of capacity to supply us and what we are now taking as

customers, we would eventually have to refuse customers to connect to our lines and turn them away to another province or another country.

**Mr McGuinty:** I wonder if you would please comment on Hydro's recent revisions to the demand-supply plan where it has informed us that it anticipates it will save some 9,900 megawatts by the year 2014. In 1989, they told us it would be in the neighbourhood of some 5,700 megawatts.

**Mr Oliver:** I have only seen the brief synopsis of the plan today. I have seen the figures that are proposed there and I agree with the levels that you have stated as being given in the plan.

There are so many variables in achieving those goals that some of them can be achieved by the undesirable consequence of increased rates. In other words, we can maintain a margin between capacity and load requirement by chasing industry away. Unfortunately, I think some industries have become jittery already and have put off plans to build plants or expand plants in Canada, in Ontario, for that very reason.

To comment in depth on whether the 5,000 to 9,000 megawatts is a reasonable figure, it is very easy to say it is a good figure or a bad figure, but I have no basis for making a comparison. I think the proof will be in how well we approach those targets over the next few years, maintaining a delicate balance between confidence of the customer that the system can deliver and that these changes will be to the benefit of the customer, both to the customer now producing and to all of the other customers connected to the line who will not feel a negative impact because of the downsizing of the total system load.

I am an engineer. I have had 40 years experience in the power business as a designer, as a consulting engineer, as a utility chief engineer in Peterborough and now as a manager in Wallaceburg. I have a very uneasy feeling about the process of downsizing the program.

The comments from Sweden were deliberately put in here to indicate that while they know they have to make efforts on energy efficiency and energy conservation, they know also that they have to make provision for expansion of the generation capacity at some time. They are concerned as to how they will do it. Some of the options are very far away.

**Mr McGuinty:** I was interested to hear you tell us something of the Swedish experience. It was my understanding that in 1990, when the social democrats decided they were going to back off the earlier plan to phase out nuclear generation in existing plants, one of the concerns the government had was with global warming and the problems that arise through generation from burning fossil fuels. Is that your understanding as well?

**Mr Oliver:** My understanding is that they decided to back off. Whether global warming was the major consideration I am not entirely certain. I think there was also the fact that there were no ready alternatives to follow through with the program to immediately phase out the nuclear plants and still maintain the 50% they would lose in the generation capacity.

This document just came into my hands today, so I have not researched it fully, but the charts for growth of energy consumption are very similar to Ontario Hydro's demand-supply plan in showing the mix of various ways they intended to meet their total electricity goal. Time and again they keep referring to the necessity to maintain a reliable supply, the quality of supply, the same things I am sure Ontario Hydro is very concerned about and certainly all of us in the Municipal Electric Association family are concerned about, that we have a reliable supply of first quality so we can maintain what our customers demand.

**Mr Jordan:** Thank you for your presentation. It is very much in line with what the other utilities have been telling us and the Municipal Electric Association, the concern you expressed about supplying load through conservation, with the result of downsizing the utility to a degree where it becomes not an electrical industry but just a minimum requirement electrical service at a very high unit cost. I really wonder why, if we can see we are headed in that direction, yet through our assessment and through the demand-supply plan, even as revised, it states that, like Sweden, we are still going to have to look at new production.

**Mr Oliver:** There is no escaping that.

**Mr Jordan:** Having said that, from all the studies that have been done, it would seem that at the present time, with the technology we have, nuclear is the most benign to the environment.

**Mr Oliver:** This is what all the experts of all systems tell us, that the emissions to the environment from nuclear are the least of the three. I mean, you have the problem with hydraulic plants of the fish and other wildlife that are affected by the creation of dams.

I had the pleasure of working for a year on a fusion project in Quebec that was to be an alternative to the nuclear power plants. The horrors people had about creating this kind of generation, and location of people many meters farther away from the actual generator than from a nuclear power plant, indicated that they were very uneasy about this too. They also felt this was a project that was at least 20 years away before it would become commercially available. Some eight or 10 years after I left Quebec, the unit at Varennes in Quebec had managed to produce power for I think a matter of 30 seconds or one minute. They were excited because at least they had produced continuous power for a very short time, and a relatively small amount of power. To go from that point, which is in the lab, into a commercial production is still a long way. Really, no one at this time is talking of fusion before 2010 or 2020.

**Mr Jordan:** No, but there is continual research and development there.

**Mr Oliver:** Yes, there is. Sweden was talking also of solar energy being used as a means of offsetting some of the losses through the electrical system and also through the changeovers from oil. They did not come up with any other new wrinkles I could think of. They talked of wind power as well, but we also have wind power demonstration units in the United States at the present time. These look like weird things; I think they are in the Nevada or

New Mexico desert, but it is just a bunch of great propellers generating power, which I think goes into batteries; I am not clear on the total. But this is still very much in the experimental stage. Nuclear power was in the experimental stages back in the 1950s too.

**Mr Jordan:** That is right, yes. You see, I would sooner—it is like the \$7 million on those lightbulbs. They said they consulted the utilities, but the utilities tell me they did not, that they did not know anything about it. That being the story, that \$7 million, and the \$6 billion planned over the next 10 years for conservation programs—

**Mr Huget:** And the \$13.5 billion for Darlington; there are lots of numbers.

**Mr Jordan:** I just wonder if we would not be better to step up our research and put the money in there to either improve our nuclear plants as we know them today—for instance, that Candu for 50 megawatts is coming on now, which is a much smaller plant than what we have been looking at, and may have other advantages I am certainly not aware of, but I understand there has been considerable improvement. To me, the industry is such a young industry, 20 years of age, and we are going to throw sand on it and walk away from it.

2050

**Mr Oliver:** I think Canada's nuclear industry is maybe even more than 20 years, but basically with the Candu reactor it is one of the most respected by other nuclear designers around the world—

**Mr Klopp:** That's why the government can't sell any unless they give them money.

**The Chair:** Please do not interrupt—

**Interjection:** The witness.

**The Chair:** Anybody.

**Mr Oliver:** The whole thrust of what we are doing now I think is good in that you are having a mix of energy efficiency, energy conservation and fuel switching. All of these are certainly going to help to maintain the margin of capacity either where it is now or maybe increase it.

I think, though, I would be remiss in my concerns as a spokesman for our own commission if I did not again express the view that any system, to really be free to develop to its full capacity, has to have a chance to expand at the end. Maybe along the way we have a temporary marking of pace while we consolidate, but if the system is going to stay to consolidate, it is bound to atrophy from that point on. It has to be allowed to grow, if you want it to grow, if you really feel it is worth it. If there are other ways of providing the energy needs of the province without electricity, we will do that, because the economy will determine it.

**The Chair:** Mr Oliver, we thank you very much for taking the time to come here this evening, you and a whole lot of others who have visited us here and shared their views, their insights. As you can well imagine, there has been a wide, diverse set of views presented, covering the whole spectrum, but each and every presentation has been a valuable part of the process and we are extremely grateful. We trust you will keep in touch.

**Mr Oliver:** Thank you. I appreciate the time of the committee.

**The Chair:** Our pleasure.

NEIL McKAY

**The Chair:** Now one final participant, Mr Neil McKay, who has been here throughout the whole day. We appreciate his interest. Tell us where you are from, sir.

**Mr McKay:** Corunna, Ontario.

**The Chair:** Good to see you here in Chatham.

**Mr McKay:** South of Sarnia on the St Clair River, St Clair Parkway.

My good friend Leo Jordan mentioned a moment ago, "Would you just speak for a moment on the dam for power generation?" The words had been spoken as, "Would water coming from a pipe be sufficient?" Yes, and it depends on what that pipe's pressure is or where its source is. You have to have a certain amount of water with a certain amount of weight in order to turn a propeller.

To give you some idea, and that is all I can give you at the moment, Churchill Falls, Labrador, which was put in by Brinco, was nationalized by the province. The head at that plant is 1,025 feet, with 19-foot-diameter pipes supplying the generator. The pressure at the scroll case to go through the impeller is 475 square inches. You know some of the velocity and the power that is in the volume of water coming to that generator. That comes from a storage area of 2,900 square miles, from a watershed it has accumulated from 29,000 square miles.

You have to take into consideration, what did that storage area do to the normal ecology that was there? Certainly it did something to the waterfall, it did something to the caribou and the animals that were there that had to move to higher areas. This is all beside the point, but basically Leo said, "What about water coming from a pipe?" This is the reason I have given you that illustration of the supply to that turbine and the volume it takes to do whatever you are going to do with it. That was to supply a 500-megawatt generator.

There is a price to pay wherever we are today, and it is the sheer economics of how we go about it. As Ontario Hydro started out with Sir Adam Beck, it was power at cost to the users, and that old slogan Live Better Electrically has certainly given us a standard of living we all enjoy here today, whether we care to admit it or not, gentlemen and ladies. We are all too free, all too well fed, and many of us negative, rather than looking at something positive and saying, "How can we improve it?" We know where we stand today. We know where our Canadian dollar stands today. Are we prepared to do something about it, or are we prepared to just stand on our other foot and say, "I can't pick it up because I'm standing on it?"

It is my privilege to have the attention of the young ears that are here. I hope you will have the same privileges and the same feeling as I feel sitting here and have been asked to do this little moment this evening for you. Thank you.

**The Chair:** Thank you, sir. Do not go away.

**Mr Jordan:** I would just like to express my thanks to Mr McKay. I did not have the opportunity to work with

him during his Ontario Hydro career, but he did work in eastern region and was well known in that area for his expertise in Hydro projects, and all through the north. Len probably knows him better than I do.

The other day in—I am getting mixed up; which hearing was that?—it was brought to our attention that the people in the watershed area of these dams could live with what they call a river-run project, like a flume that would have the river flow through the water-wheel and generate power that way. I was wondering why Ontario Hydro does not push that more than building a big dam, which is very expensive, and building a large storage area. Perhaps you might want to enlarge on that.

**Mr McKay:** Yes, Leo. At the moment, for example, on the Thames River, the north branch of the Thames at London, in the conservation area, to control that water flow and the freshets in the spring, they did put a generator in that dam site. These are the smaller sites that are taking place, much the same as was mentioned here a moment ago about the 50-megawatt nuclear generator, which is available for isolated areas or smaller areas. They all have a place. All these smaller areas are being looked at and are being developed where feasible costwise and whatever the need may be.

We have gone into northern approaches to supply the native people with diesel units and fly the fuel in. We did not have a waterway to take it in by boat or barge. But they are enjoying the same comfort or whatever is necessary to support whatever it was that was to take place in there. I admire the country for doing and developing and sharing these things that are possible. That is part of the theme of Live Better Electrically, however you turn it.

**Mr Klopp:** Leo brought up the point about the water-run system. I gather you have been retired from Ontario Hydro a couple of years.

**Mr McKay:** Yes, 16.

**Mr Klopp:** I have no doubt that 16 years ago, even 15 or maybe even 12 years ago, you were pushing these things, which seem very much common sense. I know even Leo was shaking his head. But apparently the last few people who have replaced you at Ontario Hydro and even replaced Leo have been more attuned to doing exactly what you are concerned about, putting the blinkers on and not looking at all those alternatives. They are only geared to their friends in certain energy fields, which happens to be nuclear more than anything. All I am saying is what you have been saying, that we have to look at everything.

2100

I do respect that the day you retired you thought Ontario Hydro was looking at all these things. My sense is that in the last 10 or 12 years they have not. The other day this chap talking about the water-run versus—they are hell-bent on damming the dam, if I can say that. I think that is what we are trying to produce here, through things like Bill 118, to make it a little more accountable, to allow more like this committee to really have some input so people like yourself can come back and remind us a little of what was going on and, if there are some changes, to make it more accountable. I appreciate your coming in to

show your interest. I certainly hope I can do the same some day too.

**Mr McKay:** I retired from Brinco. I was asked to go there. I was within four months of normal retirement at 63. I was prepared to go at 60, but I did not have the intestinal fortitude to say no to my superiors who said, "Neil, will you go here or will you go there?" This request came from Brinco requesting help for one year. I accepted and three months after I was there the whole situation changed. The manager came to me and said, "Will you take the responsibility of the transmission section which you came to set up for?" "Well, that's a three-year project." "You have fitted in so well here at the moment and I see physically that you are enjoying it." "Yes, I'm getting to know my wife," because I was always somewhere in the province for all those previous years. It was nice to get home for lunch every day, unless we happened to be out somewhere. I got to know my wife again, and that is most important if you want to have a livelihood, particularly if you are married to her.

**The Chair:** Quite right.

**Mr Huget:** Sound advice, I think.

**Mr McKay:** I do not want some of you young fellows to miss something. It is the most important part of the organization.

But seriously, coming back to it, I do not think that we in Hydro have been putting on our blinders. I think somebody has got information misconstrued, misinterpreted or just did not actually give a damn. I know how it is to become "aye-aye" just a bit. I learned as I came up through the organization the privilege of being part of it. I appreciate more than you will ever know sitting here today.

**The Chair:** Thank you. One more question, if you can, Mr McKay, from Mr McGuinty.

**Mr McGuinty:** It is more of a comment, Mr McKay. I think it is rather fitting that you are wrapping up for us here today. It has become rather trendy of late to criticize Hydro. We try to climb over each other in our efforts to level criticism. Some of it is very legitimate, but we do not have your perspective, understanding and recognition of the role Hydro has played in the development of this province.

My colleague Mr Jordan told me a little tale at dinner this evening which I think is worth recounting so that members of the committee can understand how vital a role Hydro played. He told me that one time he was working Christmas Eve in a small town where they had just extended lines. The locals had even gone out and purchased Christmas lights. You could imagine the sense of wonder when they flicked the switch that evening and the town lit up with all the colours and everything. I think we should keep those kinds of things in mind from time to time as we consider Hydro, the role it has played and the way we hope to shape it for our future needs. Thanks very much.

**Mr McKay:** You are welcome, sir. Thank you for that dissertation.

**The Chair:** Mr McKay, let me add briefly to that. You are quite right. There has been, as Mr McGuinty points out, criticism of Hydro, perhaps the occasional criticism of the people in Hydro who make, what is it, \$400,000 a year or \$260,000 a year, however much, but not a word of

criticism—I appreciate very much what has been said in your comments here—of the hardworking men and women who have spent lifetimes and their careers with Hydro creating a province which is one all of us should be proud about. You may have heard some criticism of Hydro—some of it is valid; maybe some of it is not—but not a word of criticism about those men and women who worked so hard for so many decades developing hydro-electric here in the province. You are obviously one of those people about whom we are very proud.

**Mr McKay:** Thank you kindly. I do not appreciate, though, that our present chairperson said, "I think I should get a \$400,000 salary in a \$9-billion organization."

**The Chair:** I know people who would do it for half the price, Mr McKay.

**Mr McKay:** Yes, I think so. Mr Iacocca said the other day to his group, on how the Japanese salaries compare, that there is quite a difference. Thank you.

**The Chair:** Quite right, sir. I trust Mr Jordan is going to make sure you get a transcript of today's proceedings. I want to thank you, sir, and all the other participants, and the city of Chatham for its hospitality.

**Mr Jordan:** Thank you, Mr Chairman, for giving me the personal satisfaction and, more important, giving Mr McKay the opportunity to speak this evening. I also thank my colleague Dalton for bringing in a memory of 1948 that was quite moving at the time. Thank you very much.

**The Chair:** Our pleasure.

#### SUBCOMMITTEE REPORT

**The Chair:** We have one more matter to deal with as a committee. The clerk is going to read into the record the report of the subcommittee.

**Clerk of the Committee:** "The subcommittee met this afternoon, January 28, to discuss the committee's agenda.

"It was agreed that the minister would be present for clause-by-clause consideration of Bill 118 on February 18, 1992.

"It was decided that the opening statements would be limited to 20 minutes per caucus.

"It was agreed that all parties would file amendments to Bill 118 with the clerk of the committee by Monday, February 10, 1992.

"It was agreed that the chair of Ontario Hydro, Marc Eliesen, would appear before the committee on Monday, February 17, 1992, at 2 pm.

"It was agreed that each party would have 30 minutes to question the chair of Ontario Hydro and that this time would be in addition to the time for the chair's opening statement. Staff from Ontario Hydro will be available after this time period to respond to questions from the committee."

**The Chair:** Is that report of the subcommittee moved for approval by you, Mr Waters?

**Mr Waters:** Yes.

**The Chair:** Any discussion?

Motion agreed to.

The committee adjourned at 2107.

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## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

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**Vice-Chair / Vice-Président(e):** Waters, Daniel (Muskoka-Georgian Bay/Muskoka-Baie-Georgienne ND)

Arnott, Ted (Wellington PC)

Cleary, John C. (Cornwall L)

Dadamo, George (Windsor-Sandwich ND)

Huget, Bob (Sarnia ND)

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Klopp, Paul (Huron ND)

McGuinty, Dalton (Ottawa South/-Sud L)

Murdock, Sharon (Sudbury ND)

Ramsay, David (Timiskaming L)

Wood, Len (Cochrane North/-Nord ND)

**Substitution(s) / Membre(s) remplaçant(s):**

Conway, Sean G. (Renfrew North/-Nord L) for Mr Ramsay

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## Legislative Assembly of Ontario

First Intersession, 35th Parliament

## Official Report of Debates (Hansard)

Wednesday 29 January 1992

### Standing committee on resources development

Power Corporation  
Amendment Act, 1991

## Assemblée législative de l'Ontario

Première intersession, 35<sup>e</sup> législature

## Journal des débats (Hansard)

Le mercredi 29 janvier 1992

### Comité permanent du développement des ressources

Loi de 1991 modifiant  
la Loi sur la Société de l'électricité



Chair: Peter Kormos  
Clerk: Harold Brown

Président : Peter Kormos  
Greffier : Harold Brown

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday 29 January 1992

The committee met at 1301 in the Carden Place Hotel, Guelph.

### POWER CORPORATION AMENDMENT ACT, 1991

#### LOI DE 1991 MODIFIANT LA LOI SUR LA SOCIÉTÉ DE L'ÉLECTRICITÉ

Resuming consideration of Bill 118, An Act to amend the Power Corporation Act / Projet de loi 118, Loi modifiant la Loi sur la Société de l'électricité.

#### ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO ICI CANADA

**The Chair:** Good afternoon. It is 1 o'clock. We are scheduled to begin at 1, so we will.

The first group making a presentation is the Association of Major Power Consumers in Ontario, if its spokespeople could please come forward. We have 20 minutes. We have your written material, which is going to become a part of the record by virtue of being made an exhibit today. It is a really important thing to allow time for questions and dialogue, so please try to highlight the submission so that we have the last 10 minutes at least for questions and exchanges.

**Mr Staadecker:** Thank you for having me here. We will certainly have time for questions; I appreciate your looking out for the time.

I am here on behalf of AMPCO, the Association of Major Power Consumers in Ontario. I am also here on behalf of my employer, ICI Canada. To some of you, ICI Canada will be better known under its previous name of C-I-L Inc. As such, you may know that we both manufacture and resell fertilizers, which is the particular business I am associated with in Sarnia. We also produce paints, pharmaceuticals, mining explosives, and chemicals for the pulp and paper industry, for Canada's forestry industry. By way of wrapping up the background, ICI employs somewhat in excess of 3,000 people across Canada.

Let's home in now on Ontario and energy usage. Within our various sites in Ontario we have two sites that are major consumers of power. Those are in Cornwall and in Sarnia, which is Bob Huget's backyard. Those two sites in total use \$20 million of Ontario Hydro electricity between them. They employ about 550 people. Electricity makes up about 20% of our manufacturing costs at those sites. So I think you can see that electricity is important to us and close to our hearts, as it is to all the other AMPCO members.

I need to say a little bit about energy efficiency because I think it is relevant. By way of illustration, the plant I work for and am most familiar with, the ammonia plant at Courtright near Sarnia, has reduced its energy usage per tonne of ammonia, which is the primary product, by over 30% in the last decade. The way we have done that is by

replacing an old-technology plant by a modern new-technology plant. That new plant is listed in a recent study commissioned by Energy, Mines and Resources Canada as the number one most efficient ammonia producer in Canada—efficient in terms of energy and natural gas conversion. In fact, it is the number one most efficient ammonia plant in all of North America.

So where does that stack us up against our marketplace, which is North America? I have to tell you that, in spite of being number one most efficient, we are still at a cost disadvantage in all our energy forms against a lot of our major competitors.

What we need as ICI, what AMPCO would like, and what I believe, in fact, would be good for all of Ontario industry, is to have Ontario Hydro strive to become just as competitive and efficient as we have striven to become opposite our North American competition. We would like to see Ontario Hydro strive to be equally competitive opposite our competitors' utilities, be they in the US or the other Canadian provinces. I think Hydro has a long way to go.

My colleagues from ICI's Cornwall site recently, that is in late 1991, wrote a letter to Marc Eliesen and copied AMPCO. I have included a brief excerpt in the document I have filed with you. The excerpt says:

"A recent Chem Systems report studying power costs for a number of chloralkali plants in North America showed...Cornwall's power costs were above 10% higher than the highest-cost chloralkali production plant in the study....In 1994 Cornwall's power cost...will probably be double the highest-cost chloralkali production plant in the study."

Let's get to Bill 118. Anything that Bill 118 does to make our utilities more competitive so that we in turn can be more competitive, I will welcome and AMPCO will welcome. However, I have some severe concerns about Bill 118 and the direction it is heading in. I have summarized my key concerns in the written document in front of you.

Will adding four people to Hydro's board make Hydro and ICI and AMPCO and Ontario industry more competitive? Will diluting the board's accountability and liability make Hydro more competitive opposite my competitors' utilities? Will putting Hydro under government control make Hydro any more competitive? Will those conservation programs, whose effectiveness has been harshly criticized by the Ontario Energy Board, make Hydro and Ontario industry more competitive? Will subsidization for fuel switching have that effect? And, will continued payments for overpriced uranium and contributions to the northern heritage fund have that desired effect?

I have severe doubts on all of those points. Having raised those doubts, I would like to at least leave you with some alternative suggestions. I hope they will be seen in a constructive light. My suggestions are:

Instead of growing the Ontario board, I would suggest you shrink the board, shrink Ontario Hydro, make the board more accountable. If you are asking, "Accountable to whom?" I would suggest the Ontario Energy Board is the right body to make it accountable to. Above all, prohibit Hydro from making any further payments to causes like northern heritage funds, premium-priced uranium and such; please remember that my competitors have utilities whose rate base and whose rates do not include charges for contributions to a northern heritage fund and so on.

In summary, Ontario does not operate in a vacuum. My employers do not operate in a vacuum. AMPCO does not. We operate in a North-American-wide market. Any burden you place on Ontario's utilities, please remember and think: Do our competitors' utilities carry these burdens, and if not, if this is an appropriate direction to take the utilities in? This is the 1990s, the era of free trade. Think about the continental market, please.

That ends my submission to you. I am open to questions.

**Mr McGuinty:** Thank you for your presentation. I found it very interesting. I am particularly appreciative of your emphasis on the fact that we do not operate in this province in a vacuum and we have not for quite some time. Our power rates are an important component of business overhead, especially so when that business has to compete with foreign competitors.

You made a reference to a recent Chem Systems report in a letter that was directed to Mr Eliesen. It says that Cornwall's power costs were above 10% higher than the highest-cost chloralkali production plant in the study. Where were those other plants located?

**Mr Staadecker:** Those other plants would have been principally in the United States. Typically, the areas with the cheapest power costs tend to be in the southern states as well. When you get into Louisiana, Texas, power costs really drop in those areas. That sounds like a long way away, but the reality of the marketplace that we operate in is that we do compete against a large number of plants that are placed precisely in those jurisdictions.

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**Mr McGuinty:** It would seem that today—and you can confirm this because you are in the business world and I am not; I am just a generalist—if you want to set up some kind of business operation, you look at a particular jurisdiction to determine whether it has the workforce you need, whether the economic climate is satisfactory or would permit you to earn a sufficient return, and of course one of the components is the cost of power. Now, where are we? I would like to get your opinion on this. Where are we now in terms of providing that climate, particularly in relation to our power costs? In other words, if your company had to set up again today—

**Mr Staadecker:** I understand. Unfortunately—and I say unfortunately because I am an Ontario resident and I too would like the best things for Ontario's future—the situation in that regard is grim.

ICI is a multinational company run out of a head office in London, England. Future investment in Ontario has been put on hold with the exception of what is needed to

meet statutory requirements as far as environmental and safety requirements go. Aside from that, and keeping equipment in order, there is no major expansion planned, nor will there be, under the current economic environment. In terms of North America, the North American market is attractive to our parent company, ICI. They have expanded, and they are continuing to expand, but any further expansions will take place at this stage not in Ontario but in the southern states that I have mentioned and in Mexico.

**Mr Cleary:** You have talked about the Cornwall plant, which is very close to my home there, and I know some of the very ambitious projects that you have undertaken already.

We hear presenters who say, "Oh, there's lots of room in industry to conserve more electricity." I would just like your comments on that. As well, we have had some presenters from our part of eastern Ontario who said just what you said a few moments ago, that it is not in their plans to leave Ontario but their future business decisions could depend a lot on the cost of electricity.

**The Chair:** Wait, Mr Cleary. To be fair, this participant was very specific about talking about the broad economic implications when he answered Mr McGuinty's second question. Perhaps he wants to clarify that in response to yours.

**Mr Staadecker:** Mr Chairman, I am not sure what it is you would like me to clarify there. Let me try to answer Mr Cleary's question and steer me on track if I have missed your point.

**The Chair:** It is always unfair to put a premise to a witness like yourself that was not necessarily established by that witness. It is called putting words in somebody's mouth.

**Mr Staadecker:** Well, I may have missed that one. Stop me if I have—

**The Chair:** Oh no, you go ahead. I am not worried about what you have to say.

**Mr Staadecker:** Okay. Let me tackle the first question I heard, which was, is there room for more conservation? Yes, there is always more room for conservation. Is it substantial? The answer is no. I was alluding to that when I said that in the case of our plant in Cornwall we have already made a 30% gain. We have already been ranked as the number one most efficient ammonia production plant in all of North America. In fact, I do not think I mentioned it, but the same study for the Department of Energy, Mines and Resources actually refers to the fact that the chemical process we use is close to the theoretical maximum efficiency; those are the words of the Energy, Mines and Resources study.

So, yes, there is always room to do things better, but because the dollar figures are so important to us, we have already had a lot of incentive to get smart about energy conservation. The dollars matter to us much more than they do perhaps to a home owner.

**Mr Arnott:** Thank you, Mr Staadecker, for coming in this afternoon to inform us of your views of Bill 118. I would like to follow up on the line of questioning Mr Cleary and Mr McGuinty initiated. With respect to the

Courtright plant where you have been able to cut your energy costs 30% by replacing the existing technology with newer technology, when did you finish the transition, how much did it cost and what is the payback time?

**Mr Staadecker:** The new plant was brought on stream in 1985. It cost about \$200 million to put into the ground. At the same time, the price in the ammonia market we serve deteriorated rapidly, so in terms of payback we are not going to see that for a long, long time. This is not a plant you would go out and build with any expectation of payback if you knew the prices were where they are today; so by hindsight, not our wisest decision. None the less, now that the plant is operating, it is at least making cash-flow, so we will cope.

**Mr Arnott:** Would you say your company is less economically competitive because of this decision?

**Mr Staadecker:** No.

**Mr Arnott:** It was an improvement.

**Mr Staadecker:** It was an improvement. We have had certain pains from it as well. For a while, we had hoped to run both the new and the old plant. In fact, we found that the market conditions, the price deterioration I had alluded to, were such that we just could not find a home for volumes from both plants at a worthwhile rate. So in 1989 we had to shut down the older plant, which was a fairly major and traumatic experience for us.

**Mr Dadamo:** On page 3 you talk about adding people to the board as not being such a good idea, and you gave a real terse "I doubt it." I am not convinced, either, that larger is always better, but could we possibly get a broader mosaic of the province in the makeup, add some members to it and maybe make it a little bit better?

**Mr Staadecker:** I am a member of two boards myself, and my belief is that large boards slow down things and add to the bureaucracy to a huge extent. Adding four more, unless there is a particular driving need that those four will fill and a valid need, is a bad move in general. I think it also sends the wrong signal to what should be happening in Hydro; that is, in general, in the rest of the organization, you do not want to be seen to be adding people at this stage. I think you would want to control and make good use of what you have already.

**Mr Huget:** Thank you for your presentation. I want to go back to the Chem Systems report in terms of your cost. You mention Gulf coast states of Texas and Louisiana as being much more competitive and I am interested in a couple of things. First of all, are there any differences in processes in the plants in Texas and Louisiana compared to Canadian plants and, second, is it a fair assumption to project that you would use less energy in Texas and Louisiana of all kinds, given that you are far south of the 49th parallel, compared to Canada which is above the 49th parallel, and we need a lot more energy of all sorts to generate the types of heat required in chemical processes?

**Mr Staadecker:** In terms of your first question, Bob, whether there are different processes, for the Cornwall-type plant, which is a chloralkali plant, I believe there are three basic types of processes. Not being from the Cornwall

plant, I cannot tell you the makeup of the Chem Systems study. I can get back to you on that if you wish as to what proportion of each basic process was covered in the study. I suspect they are all in there. In terms of whether one uses more electricity, more energy, in a cold climate, I am sure that is true. None the less, what troubles us is the cost of that electricity.

**The Chair:** Thank you very much for your time in coming here this afternoon to participate in the process. You have made interesting and insightful comments and a valuable contribution.

**Mr Staadecker:** Many thanks for having me and listening.

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#### TRI-CITY AIR SYSTEMS LTD

**The Chair:** The next group is Tri-City Air, if they would please come forward and seat themselves. There are refreshments: coffee, soft drinks and juice, some of it made in Ontario, some the result of cross-border shopping. Perhaps those politicians who did go to Florida at Christmastime brought it back with them. In any event, it is there.

Please make yourselves comfortable. Sir, tell us who you are. We have your written submission. Please try to give us at least 10 minutes for exchanges and dialogue.

**Mr Hollamby:** My name is Russ Hollamby and I am president of Tri-City Air Systems, a Waterloo-based heating and air-conditioning contractor serving residential, commercial and industrial markets in this region. I am also the president of the local chapter of the Heating, Refrigerating and Air Conditioning Institute of Canada. HRAI is a national trade association serving the heating, ventilating, air-conditioning and refrigeration industry with membership comprising contractors, manufacturers, wholesalers and utilities.

I have made the brief rather short, allowing time for questions. Let me just go through it. I would like to state my general support of the bill and agree that there are significant benefits to Ontario, should Ontario Hydro be permitted to promote fuel substitution where it makes economic sense. Benefits include use of lower-cost energy by consumers, reduced demand for high-cost generating capacity and reduced emissions at the generation stage.

My specific support concerns the space heating market and in particular the residential sector. It is not uncommon today for a residential customer with electric resistance heating to be facing annual heating costs of \$2,000 or more. We see this first hand; we deal with these people.

Given the cost of most alternative fuels and the high-efficiency technology available in today's gas and oil heating equipment, these customers can realize savings of 50% and 60% in heating costs. This is in addition to the benefits of reducing peak demand of high-cost electric generation capacity. To realize the benefits which would accrue from this type of conversion, Ontario Hydro must be able to promote fuel substitution where it makes economic sense. Promotion activity will be in the following areas:

Naturally, advertising: Present electric energy users for space heating have to be made aware of the savings possible using alternative fuels. I would like to point out that many of these same users made their original investment in electric energy use based on claims and advertising Hydro did several years ago, so it is coming full circle. To gain some credibility Hydro has to tell these people that the rules of the game have changed and in fact there are better sources available to them.

The other one, which is very topical, is the financial incentive issue. I would like to point out that many customers have no trouble justifying the cost of converting to other fuel sources. They will be able to make the decision and take action based on their own economic position, but there are many other customers who may be aware of the economic advantages of other fuels and be very willing to make the conversion, but are not in the financial position to do so.

Typically, we see these customers presently using electric baseboard heating and facing the additional cost of installing forced-air duct systems. Where a typical forced-air electric system can be converted for, in general terms, \$3,000 to a high-efficiency gas system, and upwards of \$3,800 for an oil system, retrofitting a new duct system to make the forced air possible can add another \$1,500 to \$2,500 to the conversion cost.

These customers would be able to make the conversion if some form of financial incentive program was available to them, be it grants, low-cost financing or some combination. That, I would like to point out, is the real market sector beneficiary of any incentive promotion. These people, typically, are at the lower end of the economic layer of things and they can benefit the most by it.

Last, I wanted to point out that my support for promoting the substitution of electric space heating concerns jobs. This activity will create work while producing the overall benefits to Ontario Hydro mentioned previously at a time of severe economic depression. Many thousands of jobs have been lost in the energy sector we serve due to the current recession. Many of these jobs will return under a conversion program, taking workers off unemployment insurance and, in some cases, welfare. This not only reduces our provincial benefit cost but produces taxable revenues.

In regard to job creation, I recommend that in any promotional scheme that might be embarked on, preference be given to Canadian-made products. I do not mean Canadian companies; I mean products made in Canadian factories. If we are going to create jobs, let's make sure they are made here in Canadian factories and not in some factory in Tennessee, because most of the manufacturers serving our industry make products in the United States and not in Canada.

Are there any questions?

**Mr Arnott:** Thank you very much for coming in this afternoon. I appreciate your views on Bill 118. I would just like to know exactly what your business sells. Do you sell forced-air oil as well as natural gas?

**Mr Hollamby:** We sell all forms of energy equipment for heating, air-conditioning and ventilation. By dint of the

market share, we tend to sell more gas than electric these days and there are great herds of people trying to convert at this time. As I say, the people most difficult to convert are those on baseboard heating right now. It is a very large bill for them to swallow.

**Mr Arnott:** Would you guess, if Bill 118 passes as it is and the fuel-switching subsidies are available, that your business will expand and you will be able to employ more people and so forth?

**Mr Hollamby:** Very much so, yes.

**Mr Arnott:** The government—and I say “the government” now too, because if Bill 118 passes as it presently sits, Ontario Hydro will become a government agency and for all intents and purposes no longer a corporation. The government is going to be sending out \$6 billion worth of demand management incentives. What, ideally, would you suggest is the best way to do it?

**Mr Hollamby:** As I say, it has to make it easy for the average home owner to make the conversion: restrict the amount of money spent on gloss and fancy brochures and make it easy for them to get on the program and to get on with converting off electric.

**Mr Arnott:** Grants, loans—which sort of incentives?

**Mr Hollamby:** It depends. The bottom line is that it has to be easy for the individual to convert. Whether it is a grant or a low-cost incentive I do not think really matters; it is just being able to get on that train and start moving with it. Whatever would be the easiest to administer from Hydro's point of view is what I would say.

**Mr Arnott:** Six billion dollars is a lot of money and there has been some suggestion that it should be a combination of grants and loans. There has been concern that a number of wealthy people may be able to take advantage of this whereas low-income people may not. Do you have a feeling about that?

**Mr Hollamby:** Not really, other than from the point of view that typically in our business people who have a forced-air system in place can afford to make the conversion. The stumbling block seems to be where a forced-air system is lacking, ie, a baseboard user. If anything, I suggest you skew your incentive to that group of people.

**The Chair:** Here at the Carden Place Hotel the meeting room is immediately adjacent to the dining room, and if your meeting starts at 1, as ours did, we have to compete with the not unusual din of diners, so please speak up until the din of the diners has diminished.

**Mr Huget:** Thank you for your presentation. First of all, I want to let you know that Bill 118 does not make Ontario Hydro an agency of government, nor does it allow government to meddle in the day-to-day operations of Hydro. It simply allows for policy directions like energy conservation, energy efficiency and fuel switching where it makes economic and environmental sense, to be set. There certainly is no intent in the bill to meddle in the day-to-day operations.

You mentioned the issue of conversion and that some of your customers would convert but cannot, for economic

reasons. Could you expand on that and give me some of those circumstances you have run across?

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**Mr Hollamby:** I guess the most obvious these days is that people are out of work or on welfare or some type of assistance and are facing a conversion cost of \$5,000 or more. The choice between putting food on their table and lowering their energy costs is an easy one: They are going to put food on their table. That is the most dramatic. It graduates up from there. Hard cash is just not available these days for people at a time when they are spending considerable amounts of money heating their house, quite frankly. I cannot be more specific than that.

**Mr Huget:** You mentioned that there is a potential for job creation and investment in the province. One of the things that has troubled me for many years is that natural gas, for example, is a made-in-Canada resource yet the technology that is developing has been stolen from Canada or willingly given away to be developed in other countries, most notably California, which prides itself on being the leader in natural gas technology. It is strange, because they do not have any natural gas; it comes from us. I would like your views on the potential, how serious an issue that is and whether we should be encouraging Canadian manufacture of energy-efficient products as well as products to do with alternative fuels.

**Mr Hollamby:** I am not sure how to answer you on that one. We have a pretty outstanding natural gas industry here. I do not propose to speak as a spokesman for the natural gas industry, but at the utility end, the utility serving this area, Union Gas, is probably the most aggressive and innovative serving the market these days in terms of bringing new products on stream, encouraging manufacturers to develop and what not. Right here down the road in Cambridge, there is a manufacturer, Clare Brothers. They were literally the first people in the world, ahead of any of our American cousins, to develop a high-efficiency gas furnace.

Given the opportunity, I think the technology and the will to do it are here. That is why I made a strong plea that if there is any program available, I think it should be skewed with a preference, if not entirely, to Canadian-made products and Canadian jobs.

**Mr Huget:** That is one of the problems in this province. We have not encouraged over the years that made-in-Ontario business and made-in-Ontario investment. I think it is showing up now to cause us some problems.

**Mr Waters:** I was just curious. Is the bulk of your business residential or do you do commercial work?

**Mr Hollamby:** We do about 60% residential and the balance is commercial.

**Mr Waters:** We all know there have been things going on for years in the residential market for better insulation, but I do not recall seeing a lot of that in the commercial. Are the large factories still running with two or three inches of insulation in the walls and then block and nothing else?

**Mr Hollamby:** Yes.

**Mr Waters:** There is no move to insulate for heating?

**Mr Hollamby:** Typically, if a manufacturer, let's say, needing a building builds his own, he will specify better grades of insulation. If it is a tenancy situation in a building, leasing from a landlord, that landlord will put up the bare minimum.

**Mr Waters:** So there is a start at least with our manufacturing sector.

**Mr Hollamby:** There is. We have seen it in the last five years. It has become more and more prevalent, but it tends to be skewed to the business building its own facility.

**Mr Waters:** Do you ever put in any form of electric heat in large buildings?

**Mr Hollamby:** Very rarely.

**Mr McGuinty:** I want to ask you a bit about the available equipment produced in Canada right now. If I wanted to convert from electric heat to gas, how many Canadian manufacturers are producing the high-efficiency gas furnace now? Do you know?

**Mr Hollamby:** There are three Canadian-owned companies that market high-efficiency gas equipment. Two of them are actually made here. The third one is produced in Tennessee. I do not want to exclude anybody, but I think that is the extent of it. These two factories—one is in Cambridge and one in Tilbury—have the capacity between the two of them of handling the market if the market were there. They have fairly significant manufacturing facilities.

**Mr McGuinty:** I appreciate your comments about the employment opportunities that Bill 118 would create—I have no doubt about that—if we were to give some kind of subsidy—I am not sure yet what form it would take—to induce people to switch from electric to gas heating. I think the people in your industry and the spinoff industries would profit from it. My concern remains, though, that if we go ahead with Bill 118 rates will go up, and if rates go up, people will lose jobs in other industries, in keeping with the evidence given by the previous witness.

**Mr Hollamby:** Which rates going up?

**Mr McGuinty:** Hydro rates. That is a public utility.

**Mr Hollamby:** Do you mean more than 50% over three years?

**Mr McGuinty:** I am not sure. One of the difficulties we have here is getting hold of numbers that are credible and stand up to scrutiny.

I wish it were as simple as saying that we are just going to go ahead and create more jobs, but I have a concern that we are going to lose some at the same time. There are other factors involved, but just looking at it in terms of jobs, we are wondering whether we are going to gain more than we lose or lose more than we gain.

**Mr Hollamby:** I gather you are alluding to the fuel substitution aspect of it. Am I correct?

**Mr McGuinty:** Right.

**Mr Hollamby:** I really cannot visualize where jobs can be lost. If you can give me an example, I can comment on it.

**Mr McGuinty:** The public utilities commission people have been telling us that if people are using less electricity,

the rate per unit is going to go up. If we take a look at major consumers, what they have been doing in order to become more efficient is use more electricity. They are using considerably more now than they have in the past in order to become more efficient, so their rates are going to go up. Again, if we are competing on a global basis, if I have capital and am based in London, England, and decide the rates there are too high, I can say, "Let's move it over to our Scandinavian operation." That is my concern with the rates. It may have a direct impact on the jobs we have here, an adverse effect.

**Mr Hollamby:** My view is that if there is a finite amount of electric capacity available and that has to be allocated and is allocated based on rates, if you can ease that allocation process, you are going to come out ahead. That is the benefit I see with being able to substitute selectively where it is economically available.

**The Chair:** We appreciate your, along with the others', spending time with us and taking time out of your own schedule today.

**Mr Hollamby:** I appreciate the opportunity.  
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RANDY R. REVIE

**The Chair:** The next participant is Mr Revie. You have distributed your letter. Everybody has that. It is part of the record, part of an exhibit. Please tell us what you will.

**Mr Revie:** There really is not too much to say that has not already been said.

**The Chair:** Point 2 is one that might call for a little further—nobody ever told us about a water softener facilitating speedier heating.

**Mr Revie:** Are you familiar with your kettle? You do not use a kettle?

**The Chair:** No.

**Mr Revie:** Ask your wife.

**The Chair:** That is the problem.

**Mr Revie:** Okay. First of all, inside it has an element. If you have hard water, this element becomes corroded and has a lot of garbage that is created. Then when you try to heat something it has to heat the garbage, then heat the water, thus using more electricity. Soft water completely eliminates it. The faster the water gets heated, the less electricity is used.

The next thing is that I am from Rockwood, about seven miles due east. We are a small community and there is a monopoly there. It is called Ontario Hydro. It completely controls us. It is not a case of having a hookup to natural gas. We cannot do that. We do not have that. It is true we can put in oil, I agree, but the government has tried to stay away from that for the past years. It does not want us to use oil. It is hard on the environment. We are running out of oil. "Try to stay away from it."

What are we the strongest in? Natural gas, a home-grown Canadian product. Why are we not using it? I am not going to sit here and say these are the facts and figures. I want you to tell me why we cannot. You cannot come back with one reason. One fellow over there was worrying

about jobs that are lost. Jobs will not be lost, because if we can save money here, we can develop. If you develop, you get yourself out of a recession. If we get out of a recession, we end a lot of problems, do we not?

There is too much offshoot of you guys dumping the \$6 billion that you are playing with. It is going to cost \$6.1 million to come from here to Rockwood, to bring us natural gas. That is pocket change, it is coffee money, when you are talking \$6 billion. But what would you do for Rockwood? You would definitely open it up. You would take the weight off Hydro there, which is having trouble just supplying what we have. It is having trouble handling what we have. They have just bought themselves a new substation for \$150,000. Who is going to pay for that? I pay three grand a year.

Just like Russ said before, I am one of those flunkies who has to sit there and eat this. You have no choice. I can convert. If natural gas comes knocking at my door, I am one of the lucky ones, I have forced-air electric, but I can understand his reasoning for saying that the baseboard people have problems.

There are ways around it, but that is not to be discussed now. Let's just worry about a small community that is feeding a major community. A lot of people in Rockwood work in Toronto. We have to pay big dollars for our hydro bills. That limits me in what else I can buy. Indirectly I am saying: "I am going to shoot to the States. If I can go down there and spend \$100 and get \$150 worth of goods, I am not going to spend it here." Common sense prevails. What are you going to do about it? It is me sitting here having to say: "Here's my tax dollar. I've given it to you. Now I've got to beg you to give it to help myself."

**The Chair:** You are most generous to suggest you have given it to us. Others will suggest we have taken it.

**Mr Revie:** You tell me when it comes to a paycheque. Do I say, "Okay, I'll cut this much off for the taxes"? I do not even see it. I get to say where it is sent and a little thank you note behind it, but that is all you give us. I have no control. This monopoly is killing us. If you want to keep eating us like this, eventually you end up with the attitude: "The government that's in power now doesn't seem to be solving the problem. We'll have to bide our time. Next election, you're not here." That is the only way we can strike back.

I do not think a lot of you people here—maybe one or two—have lived under an NDP government. I believe Bob has. I have lived under one too, so I know it can work. But I bet the majority of you have not, so you really do not know how good it can be. Again, the frustration is just phenomenal.

I have worked with Union Gas a fair bit. I have had meetings with the Ministry of Energy and with representatives of Union Gas. That was just like a coffee break. I spent a fair bit of time and money going down there. "Yeah, we'll see if we can help you next week." I hate that attitude, and that just builds the frustration and anger.

**The Chair:** Let's develop some dialogue here, because I know some people want to talk to you, including Derek Fletcher, who is the MPP for this riding.

**Mr Fletcher:** Not for Rockwood, just for Guelph.

**The Chair:** We are pleased to be in this riding, because we are neighbouring Ted Arnott's riding, and I suspect he is going to want to talk to you.

**Mr Fletcher:** Let me first say welcome to Guelph. Some of the things you have done are phenomenal. I think they are excellent ideas which you have done in your own home. It would be nice to see some of the industries around this area do the same things to try to conserve.

My point is on natural gas. You say you have spoken with Union Gas. Did you quote a figure on how much it would cost to get natural gas?

**Mr Revie:** It was \$6.1 million. You will be talking to Don Mills tonight. I have given him nine questions that you would probably want answered—he will give you that tonight; I have a copy, but I only have one, I do not have 25—dealing with the environment, offshoot jobs, spinoffs, what could be lost, what could not be lost and so on; what I could think of. There is not one negative thing there.

**Mr Fletcher:** That \$6.1 million does come from Union Gas. When you were talking with them, one of the problems they must have told you about was the bedrock in the area.

**Mr Revie:** Yes. That is why they figured \$6.1 million. They have to come from Guelph. Actually, it is not too far, but there is only a small feeder out there. They have to come back, step it up and bring a main out. That is why it is \$6.1 million. It is my belief they are talking about right to your door, right to your house. If Hydro dug in—I know Union Gas will throw money into it. Instead of fighting among each other, you join forces and you get yourselves out of this recession, because if you do this, Rockwood will go.

**Mr Fletcher:** I think you have just hit on one of the key messages the Premier has been trying to promote: The utilities and everyone have to start working together to dig themselves out.

**The Chair:** This man is here in front of an all-party committee. You should know, Mr Revie, and everybody else, that we have the Liberal Party, the official opposition, and its critic for Energy, Dalton McGuinty; the Conservative Party and its Energy critic, Leo Jordan; an area member, Ted Arnott; the NDP government caucus and the MPP for Sarnia, who is also the parliamentary assistant to the Minister of Energy. You are asking this committee as a microcosm, representative of the whole of Queen's Park, what it is going to do for you.

**Mr Revie:** Not just me. You have other persons.

**The Chair:** You mean all those folks in Rockwood and other communities?

**Mr Revie:** Yes, every small community.

**Mr Fletcher:** When Union Gas told you about the bedrock, did they tell you that, other than the \$6.1 million, they would have any other problems in getting it out?

**Mr Revie:** No. That is why I said \$6.1 million. It will be a difficult construction, I understand that. But there automatically is your offshoot. You do not think Union Gas is going to put it in; it will be clay pipelining or gas

pipelining, so it will be somebody else and now we are spreading out offshoots. That is money; that is work. It is not for the gas company; it is going to be labourers and machine operators who are going to put this in. That is construction. Now you are starting development.

**Mr Fletcher:** Is it your proposition that the government should force Union Gas to do this or help it?

**Mr Revie:** It does not have to force them. I think Union Gas is biting at the bit, saying, "We'll do it." It should help them, assist them.

**Mr Cleary:** I understand from what you are saying that you feel natural gas should be available in most communities in Ontario. Is that what you are trying to tell us?

**Mr Revie:** It could be, but you must look at the geography here. You have Guelph, a major centre; you have Acton, a major centre. They both have gas. You have Rockwood in the middle. What are we? We are the desert. We do not have it. We are also feeders to major areas like Toronto. I worked there. If you want to develop, you have to start spreading yourselves out. You are not spreading.

**Mr Cleary:** Who should pay for all this?

**Mr Revie:** Right now you can look at Union Gas. I think they are willing to throw a lot of money behind it, but they need that little extra push. They need assistance, because it is a major thing. There was a guy, I think two guys ahead of me, who said, "We've dumped out a lot of money and there's going to be no return for years." You ask Union Gas tonight. They will not get money right away, they realize that—maybe 10 years down the road. They understand that, but the problem exists now, and if you want to get money 10 years down the road, you solve it now.

**Mr Cleary:** You are telling me, then, that the money for the conservation programs proposed in Bill 118 should come from Ontario Hydro in the way of a grant or a loan for part of that money.

**Mr Revie:** Whatever, yes. That is what they are looking for. It may be a low-interest loan. That is what I am leaning towards. Right now you are not going to lose money on gas. You will not lose money if you dump money into gas. You cannot. No matter where you put it, there is no loss. As for electricity, look what happened in Pickering. Was it rods that went in one of their reactor stations? You could end up with another Chernobyl. You could end up with a meltdown. We do not know enough about it yet, so you better go with what we do know. We do know about natural gas.

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**Mr Cleary:** I know you feel very strongly about what you are saying in your presentation, but are you sure there is going to be an indefinite supply of gas for many, many years and that the price will not increase, the same as it increased for other heating fuels?

**Mr Revie:** If you know anything about gas, you know we can make our own. One, we can do it through barley, grain and oats. Two, you go to any dump and in the methane that is created there—have you ever worked in a dump? I am sorry, but I have. They took the gas that was at the dump and they heated the plant: self-contained, self-efficient, no cost. Look at the dump in Mississauga. If they ran lines in

there, and that is relatively new, they could be drawing methane off that. They could heat all the public buildings, or a lot of them: self-contained, no cost. Where are you? We need help. Are you going to give it to us or are you going to sit in the weeds? I do not like it. If you are going to sit in the weeds, we need a change.

**Mr Arnott:** Thank you, Mr Revie, for coming in to tell your story today. The committee should know that the hamlet of Rockwood, while not an incorporated municipality, is a sizeable little hamlet of 2,000 people. For some time Mr Revie has been promoting the idea that natural gas should be extended to Rockwood. It is only five or six miles from the city of Guelph. I can confirm the figure he indicated, that it is approximately \$6 million for Union Gas, because I met with Union Gas officials in Kitchener in response to Mr Revie's concerns, as well as others from the Rockwood area.

Mr Revie, you probably investigated the possibility of getting an oil furnace instead of—

**Mr Revie:** Yes.

**Mr Arnott:** But for some reason you do not feel that that is your preferred alternative?

**Mr Revie:** Unless you are going to do something with the tar sands out west or in Newfoundland with the offshore oil there, you are going to end up with Saudi Arabia. Then you are in somebody else's hands. I do not like that at all. Let's have homegrown products. I do not know what they are going to do with the tar sands. It is very hard because there is sand and tar there and it takes a lot of steam to turn that into oil and then you have to refine that. That is a big cost; we are not smart enough yet. Out in Newfoundland, we are just tinkering with that; we are not into that yet. So you have only one other choice: You go to gas.

**Mr Arnott:** Let's assume that in the short term, in the next four or five years, first of all Bill 118 passes as is and fuel-switching incentives are allowed. But let's say, for example, that this \$6 million is not forthcoming from anyone and that natural gas is not extended to Rockwood in the short term. Your Hydro rates are going to go even higher than they are presently.

**Mr Revie:** We know.

**Mr Arnott:** The incremental rate increase in your Hydro rate is going to be paying for other people to have the benefit of natural gas conversion. How do you feel about that?

**Mr Revie:** What can you do? Again, you have to sit here, and you say, "Election time's coming up."

**Mr Arnott:** It does not seem fair.

**Mr Revie:** Yes, but election time is coming up. You say, "That is all we can do." This is the democratic system. If you do not want to do anything about it, we will bide our time. Then in a few years you boys will be looking for a job. That is the only way you can do it. How else can we do it? You have our hands tied. You can keep the little guy down, to a point, and then at some point he becomes your worst enemy.

**The Chair:** Mr Revie, do you feel any better now than when you started?

**Mr Revie:** No, not really, because I cannot see them starting construction.

**The Chair:** I know the feeling. We appreciate your coming here today. Quite frankly, I like your style.

**Mr Revie:** Brute force and raw ignorance win every time.

**The Chair:** I appreciate very much the enthusiasm in your coming here and appearing before our committee and speaking not only on your behalf, but on behalf of your whole community, or a big chunk of your community at the very least.

**Mr Revie:** I would add one thing. Union Gas will be here tonight at 8 o'clock. They have a number of representatives. The information they have, I would relate to you, but why not let professionals, people who do it for a living, get all these figures together and lay it out for you in their spreadsheets, rather than me just scribbling something down on a piece of paper? That will be a little more professional and you guys seem to look at that a little better.

**The Chair:** We hear you. People have listened to you. I want you to know this: The transcript of your participation is available to you through your MPP's office at no charge. Give him a call or drop by. As well, keep in touch with your MPP and let him or her, as the case may be, or his or her staff, know what you are thinking.

**Mr Revie:** I will.

#### ELORA ENVIRONMENTAL ACTION GROUP

**The Chair:** The next participant is the Elora Environmental Action Group. Mr Smith, we have your written submission by way of a letter. It is an exhibit, part of the record. Tell us what you will. We have 20 minutes. Please save the last 10 minutes for exchanges and dialogue.

**Mr Smith:** My name is Deryk Smith. I am presenting on behalf of the Elora Environmental Action Group. For the information of those who do not know about Elora, it is a village about 15 kilometres northwest of the city of Guelph. I might say that this presentation will be a little milquetoast, perhaps, compared to the previous presenters.

By way of background, it seems to me that the relationship of Ontario Hydro to the provincial government, the mandate of Ontario Hydro and the policies by which Ontario Hydro was to have been guided in its day-to-day work have all previously been examined in the 1970s and 1980s by various commissions and studies. Some of them I have noted in my appendix with footnotes, items 1 to 6, which is the last page of my submission. It would be therefore presumptuous for me to suggest that I am going to be presenting you with brand-new material or insights or earthshaking revelations never before presented.

However, there are some common threads, it seems to me, running through the various reports and commission studies that have been previously conducted. One of them is for the greater accountability of Ontario Hydro to the government of Ontario and the people of Ontario. Two methods, among others, by which accountability can be promoted are by regulatory control and government control.

Regulatory control: Ontario Hydro is presently being subjected to real regulation by the provincial Environmental

Protection Act and the review of its 25-year demand-supply plan. This is a difficult process, however, because the time frame is so long and the plan is relatively inflexible.

The Coalition of Environmental Groups for a Sustainable Energy Future has recommended in a letter addressed to Premier Bob Rae, dated September 18, 1991, that the government should: "Establish an energy services commission with regulatory authority and a significant planning capability to replace the Ontario Energy Board. This commission would have a mandate to review and regulate public utilities on an ongoing basis with the costs of the commission to be borne by the utilities. A least cost test (ie, one counting all financial, social and environmental costs) should be applied to the utilities' capital spending plans on a regular basis in a public forum....At the present time there is no adequate regulatory framework governing Hydro."

We would support any proposal to strengthen and make more workable the regulatory process in order to make Ontario Hydro more accountable to government.

As for government control, all political parties at various times have called for greater control of Ontario Hydro. It is perhaps less well known that government has issued policy directives to Ontario Hydro with unfortunate results, making examples of the Elliot Lake policy directives in the 1970s to 1991 and the Atomic Energy of Canada Ltd policy directive in 1990.

Notwithstanding the foregoing, we support the concept, and particularly the amendments in proposed Bill 118 which appear to clarify the responsibility of the government in the direction of Ontario Hydro, making not only Hydro but the government itself more accountable. We would submit, however, that a mechanism be put in place to ensure that policy directives be made public at such times as they are issued.

#### 1400

While the Municipal Electric Association has expressed concern as to the scope of authority which government would have under section 2 of Bill 118, amending section 9a of the act, I understand that the wording may be changed to clarify that policy directives issued will in fact relate to Hydro matters and not social policy, the construction of an amusement park, or funding of cancer research or any other such unrelated items.

Now for the fuel-switching amendments. From an environmental perspective, the most important proposed amendments relate to fuel switching, which is to say switching from electric applications such as space and water heating, to other cheaper and environmentally sound and direct fuels such as natural gas, oil, propane, wood or solar.

There are extremely strong economic and environmental reasons for Ontario Hydro to encourage fuel switching, and perhaps to support it financially to some extent at least.

It is significant that at subsections 56a(1) and 56a(2) of the existing legislation, there is provision for energy conservation programs and enunciation of the purpose of such programs.

The effect of the changes at subsection 56a(3) is to clarify the intention of the utility to concern itself with overall energy efficiency, rather than just electrical efficiency. We understand that at paragraph 56a(3)3, there is to be a word

change made in the bill as it presently is drafted, to broaden its scope to allow for the conversion of an electrical heating system as opposed to the conversion of a space-heating system.

The repeal of subsection 56b(3) removes a barrier to the provision of financial incentives in converting from an electrical heating system to one based on alternative fuel, and these changes we support.

The potential for fuel switching: Ontario Hydro itself in August 1991 announced an increase of 1,500 megawatts in its demand management target for the year 2000, largely due to fuel switching. This is considered a conservative estimate, because the study assumed only natural gas was available as an alternative, and further, only homes with central ducting or of one storey were included in the study. In the commercial sector, only buildings with central electric heating were considered eligible and the industrial sector was not included at all.

Ontario Hydro itself estimates that the total fuel-switching potential for all sectors is 3,210 megawatts by the year 2000 if only natural gas is considered, and 4,676 megawatts if oil and propane are also considered. Even the latter figure is an underestimate of the available potential, which is probably over 6,000 megawatts.

At issue is how much Hydro and its municipal utility allies will allow to be implemented. Furthermore, what significant fuel switching will be achieved by means of information programs alone, without a combination of financial incentives to encourage switching and legislation by government to force switching, along with changes to rate structures and different hookup fees? The banning of electric heating in non-profit housing is a significant first step already taken by government, in our opinion.

The relative efficiencies of switching: Thermal electricity production, whether by means of fossil or nuclear generation, is extremely inefficient, overall about 25% efficient. Direct heating fuels, such as oil, gas and wood, are more than twice as efficient. New high-efficiency gas furnaces are rated at 93% AFUE, or annual fuel utilization efficiency, and new oil furnaces are at 80% AFUE.

Environmental impacts on fuel switching: The major problem with electric heating is that it creates an enormous peak of demand in winter. In Ontario, most of this peak electricity is generated by coal stations, which account for 25% to 30% of Hydro's generating mix. Roughly 12% of the residential sector's heating loads are electric. The Ministry of the Environment predicts that without a policy change this will rise 18% by the year 2005, amounting to a load of 61 petajoules. Because coal generation is so dirty, dramatic reductions of acid gases and carbon dioxide can be achieved by substituting natural gas, oil, propane, wood and solar for electricity.

The economic impact of fuel switching: A report prepared by Passmore Associates in December 1991 entitled *The Economical and Environmental Implications of Fuel Shifting* examines the costs and emissions implications of consumers using fuels other than electricity to provide residential heating in Ontario. Other substitution opportunities, namely, heating in the industrial and commercial sectors, water heating and appliance conversions, are not

examined in the study. If these additional sectors and services were included, the conclusions of this analysis would be dramatically increased.

The report indicates that between 1975 and 1991, electrically heated households were billed a total of \$8.94 billion in 1991 dollars for basic heating services. If these households had used natural gas where available and oil in those areas without natural gas service, they would have saved \$3.91 billion in 1991 dollars over the same period. The deliberate marketing of electricity encouraged consumers to spend 77.8% more for heating services than had they used more cost-effective fuels.

The report makes the statement:

"Supported by past provincial governments, Ontario Hydro has supported a massive overexpansion of supply facilities, and has then promoted wasteful consumption in order to create a market for the excess capacity. The system perpetuated itself in a vicious circle as prices were kept artificially low because of oversupply. Eventually, overconsumption begins to catch up with supply and provides the justification for further expansion. The financial costs of these ill-conceived policies are very real. Long-term debt is now \$30 billion, and interest alone amounts to \$375,000 per minute."

"An important cost consideration in fuel switching is the extent to which Ontario Hydro will be able to forgo extensive capital investment in generating and transmission facilities. Ontario Hydro has calculated that the capital cost of supplying a kilowatt of power is over \$3,300; thus a home requiring 15 kilowatts of power for electric heating requires Ontario Hydro to invest \$50,000." That statement was made by the former president and CEO of Ontario Hydro, Robert C. Franklin.

With the potential of 6,000 megawatts, fuel switching has the ability to eliminate the need for any major supply expansion in Ontario for the foreseeable future.

Now for the arguments against fuel switching. The Municipal Electric Association has argued against the repeal of subsection 56b(3), which forbids incentives for off-electric conversions. They say market forces alone are sufficient to encourage fuel switching. This is simply not true. At the Ontario Energy Board hearing in 1991, Ontario Hydro stated: "Approximately 25% of new homes built in Ontario are electrically heated.... Approximately 69% of these new electrically heated homes are built in areas where natural gas is available."

In other words, despite the fact that natural gas is on average 65% cheaper than electric heating and oil is about 40% cheaper, one quarter of all new homes are being built with electric heating, and a majority of these are being built where natural gas is available.

MEA has also argued that there is a cross-subsidy involved with fuel switching. This point was made by one of the questions to the last presenter. A response paper presented by MEA in 1991 says: "Current electricity customers should not be forced to finance through their electricity bills other customers' conversion to other fuels, and many customers, who have no access to natural gas, should not be forced subsidize other customers' conversion to it"—the point made by the speaker from Rockwood.

We submit that all electricity ratepayers will benefit from fuel switching. Hydro has historically subsidized those using electric heat. Subsidization of fuel switching would redress this existing cross-subsidy.

The municipal utilities have also argued that fuel switching will decrease their revenues. I also heard about this. While the impact will vary on utilities, those experiencing load growth and whose distribution systems are already strained will in fact experience an immediate financial benefit from fuel switching, as with efficiency programs. It seems to me that is the case Rockwood is putting forward.

Those utilities not experiencing load growth will have reduced revenues to cover fixed costs. However, the fixed-costs portion is usually quite low, so that a modest rate increase might be required to offset the loss. The point is that it will cost every electricity ratepayer less to switch fuels than to build new power plants and transmission facilities.

1410

As for implementation, I appreciate that the bill does not speak to implementation, but I expect you would want to have some input on the subject. I think we need more input from all sectors on precisely how fuel switching can and should be accomplished. We may not have sufficient consensus at the moment to support, for example, 100% subsidization of fuel switching and/or retrofitting, as has been proposed I suspect by many of the interest groups presenting to you in these public hearings.

Conceptually at least, are there not problems with the fact that natural gas, propane and oil are all non-renewable resources and they all create emissions to some degree? If it is viewed as an interim measure only, then ought we to be funding this switch 100%, or at all?

We should suggest a broad-spectrum approach which would include consideration of the following, among other considerations:

1. Dissemination of information relating to conservation of these resources.
2. A revision of rate structures which would not reward those who consume the most energy.
3. The potential for non-utility generation.
4. The real costs, including social and environmental, of proceeding with rehabilitation of existing facilities.
5. The potential benefits in selling some of Hydro's older hydraulic plants to the private sector. This is happening right now in Nova Scotia, as you probably well know.

As a general proposition, I think we need to credit home owners and business persons with the intelligence they possess to make appropriate choices for themselves without a subsidy. To some degree this was the point made by the presenter from Tri-City.

The fundamental issue underpinning so many assumptions is Ontario Hydro's 25-year proposed plan to serve its customers' energy needs with a proposed expenditure of \$200 billion, ie, over \$100,000 for every single family in the province. Its review, and either approval, modification or rejection, constitutes the biggest economic decision ever to be faced by Ontario. It is a decision with far-reaching and complex environmental and social implications, and one which, perhaps more important, will affect the next generations in a most profound way.

We must understand in this whole process therefore that we are trustees for our children and we ought as well to be regarding ourselves as stewards of all our resources, for not only our children but all subsequent generations.

I would be pleased to respond to questions.

**The Vice-Chair:** We have a very limited amount of time, so I will allow one question from each caucus.

**Mr McGuinty:** Mr Smith, thank you for your presentation. Obviously you have given a great deal of thought to this and considerable research has gone into it. I remain uninformed as to your opinion precisely with respect to who should be paying for the switching. Could I have your recommendations as to whether it should be a loan or a grant, and whether it should be being paid by the ratepayer, by the natural gas utility or by the oil company? With the latter two, of course, I am referring to parties that stand to benefit as a result of the fuel switching.

**Mr Smith:** With respect, I do not have the answer to that question. I think it would be presumptuous if I did propose to have the answer. I have suggested on page 6 that we all have to have a multifaceted approach to the issue. I do not like the knee-jerk reaction of 100% subsidy. I find that offensive largely because I think Ontario Hydro clearly has made a mistake in subsidizing to the extent it already has the conversion to electrically sourced heat. That is a big credibility problem, I think, for Ontario Hydro right off the bat. How can we, in this day and age, with the deficits that are climbing in everyone's bailiwick, be blithely suggesting 100% subsidy? I have a problem with that. I think the people of Ontario want the government to realize we surely cannot be subsidizing everything 100%.

I do not like the idea of subsidy as the sole approach; subsidization for those who need it perhaps, which was a suggestion made by the Tri-City presenter. I do not know how you determine who is in need and who is not.

By way of comparison, the Ontario government, to encourage first-time purchasers of homes, made available a refund of the land transfer tax on the purchase of the home. That was a very simple application. First of all they had to pay out the money themselves before they got back a refund. The refund related to the value of the home and their ability to pay. It was all on the back of the application, which was very easy to fill out. I think it worked very well in encouraging certain persons to get into the home market for the first time. I think some incentives are probably appropriate; I just do not know how they would be organized.

**Mr Arnott:** Thank you, Mr Smith, for coming forward to outline the view of the Elora Environmental Action Group. I want to compliment you on your brief. I certainly agree with a great many points. The benefits of fuel switching I think are apparent to everybody. One of the downsides that has not been discussed very much—in Wellington county it is particularly pertinent—is that if a massive fuel-switching campaign is under way with \$6 billion worth of subsidy programs, perfectly good electric baseboards and electric furnaces are going to end up in our garbage dumps. That is a downside of fuel switching that I see and it is something we are going to have to deal with.

I particularly agree with one of the last points you made, that as a general proposition we need to credit home owners and business persons with the intelligence they possess to make appropriate choices for themselves without a subsidy.

**Mr Smith:** I think the word "switching" is a little bit misleading, because there are new homes, new businesses, new commercial enterprises and new industrial plants being created. In those situations, by the building code and regulations, for example, I think we can very easily force them and preclude the ability to heat electrically, period. Where we are in a position to influence people who can make the choices, we are going to do that, but we are going to make that mandatory by statute.

**Mr Arnott:** Six billion dollars has been discussed as the demand management proposal. There has been discussion that there are going to be small-scale loans perhaps. One of the reasons banks do not like to deal with small-scale loans, less than \$5,000, is that they are very expensive to administer. Do you care to comment on that?

**Mr Smith:** I have no doubt that it is. I am horrified that it is \$6 billion. That figure blows me over.

**Mr Hugel:** You mention in recommendation 4 that the real costs of power, including the social and environmental costs, be factored into the equation here. In your view, are the social and environmental costs of generating power factored in now? If they are not, then we are not paying the true cost of power currently.

**Mr Smith:** That is obvious. The figure that has been put on it is roughly 65% subsidy of the Hydro rates—that is the figure I have heard—when we are talking about that kind of generation. There is no charge for the water. Special borrowing rates on capital loans are needed. There is no pricetag on what is emitted into the atmosphere, the acid, the CO<sub>2</sub>, with the ozone layer diminishing and acid rain resulting; the hydro dams that displace people; the costs of the examination from an environmental assessment point of view. Are those things factored into hydraulic dams? I do not think so. So there is a subsidy for roughly 60% already.

**The Vice-Chair:** I would like to give you one bit of information. On page 4 you mention \$50,000 per hookup. We have since had documentation from Hydro, depending on which set of figures you read, that it is \$7,000 to \$11,000; another set of figures goes as high as \$20,000. That figure of \$50,000 has been somewhat downgraded.

**Mr Smith:** I thought I had pretty good authority on that one.

**The Vice-Chair:** Hydro has come back with something of a rebuttal on that and it just depends—just to let you know.

Thank you very much for your presentation. It was very insightful. Be sure to get any information you want from your local MPP as to the results of these hearings.

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ARTHUR PUBLIC UTILITIES COMMISSION

**The Vice-Chair:** I ask the Arthur Public Utilities Commission to come forward for its presentation. Please

introduce yourself for the sake of Hansard and the members. You can start your presentation then, sir.

**Mr Densmore:** To the members of the standing committee on resources development, the clerk and others present I would like to express my appreciation for the opportunity to present our brief to the hearing pertaining to Bill 118.

I am Ross Densmore from the Arthur area and I am presenting this brief on behalf of the Arthur public utilities. One of the members of your committee is Mr Ted Arnott, who lives in Arthur, which is located in the riding of Wellington, from which he was elected to represent the people of the riding at the Ontario Legislature. I have known Ted all my life and his mother and my myself are first cousins. I was first elected to the Arthur public utilities in 1968 and have served on the commission since then, being chairman for a good many years.

Arthur being a small utility with approximately 900 customers, we have always appreciated the advice pertaining to the operation of our utility provided to us by the Ontario Hydro people in the regional office in Barrie.

Also, having operated a family electrical contracting business since 1948, we have been involved with the Hydro people a great deal over the years and hold a great deal of respect for all area managers, office personnel and line crews and so on.

We have always found that if you treat these people the way they should be treated, they will go out of their way to help you. I, as well as the Arthur members of my commission, would like to express my concern, if this Bill 118 is passed in its present form, about what implications it could have in the future role of Ontario Hydro and the adequate supply of electrical energy for the people of Ontario.

The country runs on hydro, and I think it is too vital a commodity to the wellbeing of Ontario to have decisions made by politicians about the complex operation of Ontario Hydro. Some of these decisions are of a long-range nature. The people who make these decisions could be long gone if we experience a shortfall of electrical supply in the future.

As an example of what can happen, back in the 1930s Ontario Hydro had a long-range contract with Hydro-Québec for the supply of electrical energy to Ontario at a very reasonable price. During the 1930s Ontario was involved in an election and the Liberal Party at that time campaigned on the issue that power from Quebec was not required by Ontario Hydro. When the Liberal Party came into power under Premier Mitchell Hepburn, a directive by the Legislature was issued to Ontario Hydro to have this contract cancelled, which did take place. Shortly after this happened, the Ontario Hydro load started to increase and they had to go back to Hydro-Québec and renegotiate this contract at a considerably higher price than the original contract.

I keep hearing that one of the reasons the NDP government brought forth Bill 118 was to have Ontario Hydro more accountable to the people of Ontario and the directives of the present government. To us, they do not seem to recognize the role the municipal utilities of Ontario have in the operation of Ontario Hydro. The municipal utilities distribute and retail energy to 75% of the electrical

customers of Ontario and also own about 80% of Ontario Hydro equity, as they have always paid their portion of the Hydro bonds as they come due according to the demand on the system.

I and the other members of the electrical utilities of Ontario are elected or appointed by our respective municipalities to look after the operations of our electric utilities. Each utility is a member of the Municipal Electric Association. District meetings are held once a year, where resolutions are put together which are presented at the annual meeting in March on issues we feel should be acted on in the best interests of the electrical customers of Ontario. These resolutions are debated and voted on by the membership, and if approved are dealt with by the MEA executive.

What has been in place here for the past 80 years is a democratic system which is very accountable to the public. I think the present government has a tendency to listen to some of the many special-interest groups now operating in Ontario that are self-appointed people who think they represent the best interests of the electrical customers of Ontario. Because Ontario Hydro is a public utility owned by the people of Ontario, they find it an ideal setup where they can carry on their activities criticizing Ontario Hydro, making statements to the press and making a living out of it by appearing as intervenors at various hearings and soliciting donations from the public.

A few years ago I witnessed a group of people who were enacting a mock spill of the transportation of tritium through the town of Arthur. It was quite a performance to watch, and while this was being done some of the groups were handing out forms to people on the streets soliciting donations to their group.

As far as we are concerned, the section of Bill 118 where the electrical customers of Ontario are going to be asked to subsidize the conversion of electric heat to gas in homes should be deleted. We have customers who have electrically heated homes who are saying they would possibly convert to gas if it was available to them, but when it is not available to them they do not feel like subsidizing other people to convert to gas where it is available.

We also have customers who have electrically heated homes with baseboards where gas is available, and even if hydro is more expensive they say they are not going to convert. They like the individual room controls, a maintenance-free system and most of all, as it was mentioned before, they have basements that are finished into recreation rooms, offices and so on, and they do not feel like having their basements ripped apart to put in ducts and so on. I do see some gas fireplaces being installed, which I think are a good idea. My own home was built with baseboard heating in 1980 and maintenance on the system has been nil in that period of time. Other people who built homes at the same time are on their second or third furnace.

The present NDP government is determined to get people who have electrically heated homes to switch to an alternative fuel mainly to reduce the load on the system, yet the peak load of Ontario Hydro is now occurring in the summer because of the air-conditioning load coming on to the system, therefore the generating capacity has to be in place to meet this load anyway. Just off the record, I do not hear

anything much about trying to control the air-conditioning load.

I do not think Ontario Hydro would have embarked on the marketing program we have seen in the past if it had not been for the aggressive marketing program of the gas companies, where they went into municipalities where the electrical utilities had customers with rental water heaters in place. They talked these people into having their electric water heaters removed and having them replaced by rental gas water heaters.

I have heard Bob Rae remark the odd time that they have people coming to them saying the government should be implementing certain policy. One of these that comes to mind is Energy Probe saying that Ontario Hydro should be broken up and privatized. I recently read an article in a magazine—*Electricity Today* was the name of the magazine—written by a person from England who had been involved in the supply of electrical energy in that country. The heading of this article was "Privatization of Electrical Supply Not for Ontario." One of the main problems with several companies in England being involved with the supply of electrical energy is having these companies assume responsibility for supplying adequate generating capacity, the responsibility of having adequate distribution systems in place, etc. By reading this article, it appears that the supplying of electrical energy in England could end up in chaos in the future.

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I would like to refer back to 1906 when the generating of electrical power was falling into the hands of private power interests who were charging whatever the market would bear. About 1,500 mayors and reeves of the cities and towns right across Ontario assembled at Toronto city hall and drew up a resolution asking the Ontario government to create a public utility to generate and supply power to the people of Ontario at cost. They marched up University Avenue and this resolution was presented to the Legislature and this resolution was passed immediately.

Now there seem to be forces at work to wreck this legislation that was put in place and worked very well through those years. The present NDP government is banking heavily on non-utility generation to meet some of the electrical demand of the future, which I am sure some of these large installations will make a significant contribution to. However, I feel the potential capacity of these smaller installations that are being funded, such as small generators in dams, windmills and so on, to supply electrical energy for the people of Ontario is being overestimated by a lot of people.

As an example, Atacon Energy Systems has been involved in the building of two vertical-axle windmills on property it purchased in the north end of West Garafraxa township approximately four miles from Arthur. The one windmill is 100 feet high and drives a 150-kW motor-generator unit and the other one is 200 feet high and was to be equipped with a 300-kW motor generator.

The purpose of building these units was to sell power to Ontario Hydro. The only problem is that they require three-phase power to get these units rolling and also to feed power into the Ontario Hydro system. They bought

this property and paid \$117,000 for it assuming that three-phase power went past the property but later were made aware that only single-phase power was available and the closest three-phase line was at Highway 9. Ontario Hydro was asked to come up with the cost of building this line down to them, which came out to a figure of approximately \$200,000. They continued working on these windmills for the past two years hoping this three-phase line would eventually be built but I understand now that this line is not going to be built and the two units are going to be dismantled and reassembled at the Bruce energy centre.

The point I am making here is that you have people developing these energy-producing installations who do not have enough electrical knowledge to distinguish the difference between a single-phase line and a three-phase line. I understand these people have been building windmills for the last nine years at various locations and have not produced any electrical energy from any of their installations, while at the same time soliciting government funding or whatever. I thank you again for the opportunity of making this presentation.

**Mr Arnott:** Thank you for coming forward today to enlighten us, cousin Ross, with your vast expertise and the history of Ontario Hydro and so on.

I understand Garafraxa is one of the windiest areas in the province. If that \$200,000 line were to be built, what would your assessment be of the feasibility and long-term practicality of that development as a generator of hydro?

**Mr Densmore:** I do not know. Ontario Hydro did stake the line all out and get the cost on it. I understand that the non-utility generating part of Ontario Hydro in the Orangeville area refused to start building the line until there was some money up front. As I hear now, the non-utility generating division of Ontario Hydro refused to fund this, so I understand now the whole setup is going to be torn down and relocated to Bruce.

**Mr Arnott:** If we go back to May 1985 when the tornado ripped through our area, could you describe your experience at that time?

**Mr Densmore:** I must say, Ted, it was quite an experience for the people up in that area. The tornado hit on a Friday afternoon about 4:30. Arthur was completely out of power till Sunday evening. As chairman of our public utility, it was quite a thing—the dire straits people were in with their freezers and so on.

By Sunday at noon there was really big concern, and this 44-kV line that comes into Grand Valley and through the municipality and fed up on to Arthur was distributed all over the field. People were saying, "It'll be two weeks before we get that built." But anyway, Ontario Hydro put all its resources together and the crews came in from other towns and they had them bedded down for the night. There were truckloads of poles coming in and equipment coming in through the night. It was amazing the effort that was put forward there to get the power back on. Many people remarked what a wonderful job Ontario Hydro had done and the resources they brought to bear. I have a film of this tornado back at that time. It is at some of the information

centres. If you get a chance to see it, it is well worth seeing what was accomplished there in a very short time.

**Mr Jordan:** I want to thank you sincerely for your presentation and to show my appreciation for the history you have given of utility relative to Ontario Hydro and how you see it as you, the utilities, owning in fact 80% of the utility known as Ontario Hydro.

You have taken us back to the last depression when a change of government saw that power from Quebec was not a requirement so they cancelled the contracts. Of course, as nature has been, there was a recovery and the need was there and we had to go back and start over again. Do you see us getting into a similar situation?

**Mr Densmore:** Using it as an example, one of the reasons demand started to increase again was that war broke out. There was the war effort, you see. It was Dr Hay from Kingston that related this story to me. He was well respected in the utilities. He was a member of the Kingston public utilities. I remember him relating that story and that is where I got it.

**Mr Fletcher:** Thank you for presenting today. Do you believe we have to start conserving energy?

**Mr Densmore:** I certainly do.

**Mr Fletcher:** Have you ever heard the Premier of the province or the Minister of Energy say that we are going to privatize Ontario Hydro?

**Mr Densmore:** I think Energy Probe is recommending—

**Mr Fletcher:** I know. Have you heard the Premier or Mr Ferguson say—

**Mr Densmore:** No, nobody there. I am just saying I have heard Bob Rae's statement that we have people coming to us saying we should do this and do that.

**Mr Fletcher:** That is part of the public consultation, is it not?

**Mr Densmore:** But Energy Probe are the people that are promoting privatization—

**Mr Fletcher:** They are not the government, though.

**Mr Densmore:** No, they are not the government.

**Mr Fletcher:** I was just wondering about the idea of people who criticize Ontario Hydro. Are you saying that people should not be allowed to criticize Ontario Hydro?

**Mr Densmore:** No, they should be allowed, the same as my presentation here.

**Mr Fletcher:** I know. Just one quick thing about windmills. As far as windmills are concerned—not only the windmills, but Ontario Hydro—if you produce more electricity, Ontario Hydro does not allow you to sell back right now because of the setup.

**Mr Densmore:** Oh, I think there are arrangements made to resell back to Hydro.

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**Mr Fletcher:** I know. That can be converted; it can all be converted.

**Mr Densmore:** There are arrangements made, but there is some of that being done. You have the Elora mill

in Elora. There are all kinds of installations now; there is a small dam down at Velvet Lake and there is a 640 kilowatt unit in there. I had a tour of that one day and one of the Grand River conservation employees made the remark that he was told that unit was to supply the town of Fergus. The town of Fergus has a 20,000 kilowatt load and you only have a 640 kilowatt unit there, so somebody is passing out information that is entirely untrue. That is the thing I am getting at.

**Mr McGuinty:** Mr Densmore, Hydro has a wonderful history and it has played a vital part in the development of our province. I do not think there is any question of that. However, it would be difficult to deny that Hydro has evolved in such a way that it has not kept up with the expectations of ratepayers generally, so it presents us with a problem. I am not sure this bill is the solution to that problem, but as I see it, the option—one of the options, in any event—is that maybe we give the Ontario Energy Board more teeth.

This bill will, as far as I am concerned, attempt to put government in control of Hydro. I do not know about you, but if I were to stand in a room and tell people that we have an operation that is very technically oriented, some 36,000 employees, a huge debt, many people on salaries that are very high, I think if I did not tell them what I was talking about, they would first assume I was talking about government. Then if I told them, "No, I'm talking about Ontario Hydro; What we're going to do to resolve this is we're going to put the politicians in charge," I think I would be laughed out of the room. That is one option.

But I am intrigued, more specifically, about the role the municipal utilities are playing and the role they might play. Can you tell me a bit more about that so we can help shape Hydro into something more modern, more efficient, more acceptable?

**Mr Densmore:** Ontario Hydro and the utilities are coming around more and more all the time to the view that we have to conserve energy. There has been a great deal of talk here about electric heating, but as a contractor I can remember back in the 1970s when the OPEC countries were in charge of the oil, the price of oil was going up to astronomical prices. It was increasing astronomically fast and gas was following the price of oil at 85% of that rate. A lot of the homes that were built back in that time—they were scared of oil and they were convinced in their own mind that electric heating was the way to go. Those people were well satisfied and they had a maintenance-free system and most of the work we did was in baseboard units and individual control. But as I say, the price of hydro has gone way out of whack now and I know there is going to be a lot of conversion. There is no question about it.

**Mr McGuinty:** Just to be a bit more specific, please, Mr Densmore, what role could the PUCs play in helping us turn Hydro around?

**Mr Densmore:** We have representatives from our regional office and the area office coming to us. We are just a small utility, but larger utilities are having the odd conservation program set up and I think they are getting involved in conservation.

Another thing is revenue. I used to hear people say Hydro was no different from any other business. If you had a grocery store, the more product you put out through the cash register—if you had your capital in place, the more business you did helped out your cost. Then somebody said that if you get too much business, the first thing you know you have to put in another cash register; then you are starting to spend capital. We are losing a lot of water heater revenue load, and that is one of our main loads as far as the utilities are concerned.

**Mr Cleary:** Thank you very much for your presentation. I would like you to comment on the present structure of the board and the proposed structure of the board.

**Mr Densmore:** Of the Hydro board?

**Mr Cleary:** Right.

**Mr Densmore:** I feel they should have representation from the municipal utilities. It is a cooperative and I do not like to see this Hydro board slanted one way or the other. It should have equal representation. That is my opinion.

**The Chair:** Mr Densmore, thank you very much for coming here today. You, along with so many others, are making a valuable contribution to this protest—yes, it has been a protest by more than a few—to this process. We trust you will keep in touch with your local member as well as with the critics from the respective caucuses or the parliamentary assistant.

**Mr Densmore:** Thanks ever so much.

**The Chair:** Take care. Our pleasure.

#### BRUCE PENINSULA ENVIRONMENT GROUP

**The Chair:** The next participant is the Bruce Peninsula Environment Group. Sir, please seat yourself. Tell us who you are. We have your written materials.

**Mr Kleinau:** I put a couple of inserts in there. They refer to some old wisdoms which apparently have been forgotten but which are just as valuable and good today as they were about 10, 20 or 30 years ago, I guess, when Hydro went on its spending spree.

My name is Siegfried Kleinau, better known as Ziggy. I am the secretary of the Bruce Peninsula Environment Group. We are based in Lion's Head. Sometimes we are referred to as the "Roar from Lion's Head." Our group was formed in 1989 in response to the ever-increasing problems facing our natural environment. We applaud the effort of the government to amend the Power Corporation Act and to make changes in its impact on environmental degradation.

We feel that the addition of the Deputy Minister of Energy to the board of directors will be beneficial by providing greater contact with the government. A higher degree of interaction between the elected body of our province and the crown corporation affected by this act is definitely important and desirable. To this end, policy directives issued by the Minister of Energy should have a binding effect on the corporation.

We are especially gratified by the proposed changes in paragraphs 56a(3)1, 2 and 3 of the act, the repeal of subsection 56b(3) and the amendments proposed under subsection 56ba.

Paragraph 56a(3)3 gives the indication that a conversion to a form of energy resulting in the greatest conservation is being recommended. This so-called fuel switching entails conversion to other fuels with, so far as we can determine, an emphasis on natural gas and oil. In our opinion, to switch to non-renewable energy sources would be a definite step backward. We realize that these fuels are readily available and their producers are eager to supply, but we have to consider why these new measures are being taken in the first place: to lower the impact of energy generation on the environment. This is definitely not effectively done by switching to gas and oil.

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The technology of solar and wind energy generation is well enough advanced that it can be put on the same level as gas and oil, with a significantly smaller impact environmentally. Even though there is a larger pricetag on these conversions to the renewable energy sources, the price difference would be greatly diminished if demand for these installations were stimulated. While at present the solar-wind option supplying an average house with all normal power needed is in the range of \$20,000 to \$25,000—the price of a good solid new car—to build the capacity to supply costs Ontario Hydro at least \$50,000 just to supply 15 kilowatts of electric heat for a house, according to the estimate of Robert Franklin, previous president of Ontario Hydro, in a speech. Just the conversion of electric water heaters to solar would cut electric energy consumption of a normal household by one third. About 10 years ago the corporation had an ambitious plan to convert up to 30% of all electric water heaters to solar after running a series of test installations, but then mysteriously abandoned the idea.

We can see a tremendous saving of future supply requirement by having Ontario Hydro install solar-wind combination generator units in every new dwelling on a loan basis with a buyback option. In a different scenario Hydro could supply these units and amortize their cost under a mortgage arrangement over 10 or 15 years. The savings would be manifold and extremely attractive to new home-buyers. At the same time the owner would be encouraged to maintain the unit in good repair at the danger of a self-inflicted power outage.

For Ontario Hydro there are savings in the cards not only in the cost of electricity generating and transmission but also in the cost of maintenance of lines and transformers. The biggest winning combination would be the removal of a need for new generating facilities. To see hydro poles replaced by wind turbines and transformers by photovoltaic panels would, in our mind, be rewarding progress.

Existing buildings with an electric heat source should only be converted to natural gas where supply provisions already exist and then only as a stopgap measure. In non-supply regions conversion should be to renewable fuel sources, as mentioned above, with wood or propane, but not oil, as alternatives.

The costs involved in the fuel-switching mandate should be divided between Ontario Hydro and the beneficiary of the action. A substantial portion of their profit should be requisitioned for recovery of costs involved. After all, Ontario Hydro, being a crown corporation working with taxpayers'

money, already is saddled with a stupendous debt of over \$30 billion, thereby endangering the stability of the whole province's financial system. There is little room to increase this debt by subsidizing fuel switching.

Home buyers originally profited from lower housing prices when choosing electrically heated homes, so they should carry part of these costs, especially since they will benefit over the long term.

In conclusion, we would like to encourage the government and Ontario Hydro to see their way to a decentralizing of power generation. Bigger is not better. That is what we are all starting to see in the generating option. It is a fallacy, with all the inefficiencies becoming painfully obvious.

The trend of the population spreading from the cities into rural regions is putting a strain on the transmission system too. Here is a chance to give people a powerful feeling by letting them generate their own requirements with Ontario Hydro acting in a regulatory function only. Instead of "Bigger is better," let us realize that small is practical, small is economical and small is even beautiful.

Thank you very much for giving me the chance.

**Mr Fletcher:** Ziggy, thanks a lot for the bumper stickers. I will use them. I have just one thing about the technology in terms of conversion to solar energy. I know that in the past people moved into solar energy and the active solar equipment they had was failing and the technology was not there. Has it come up to date?

**Mr Kleinau:** I have this edition of Earthkeeper magazine, which is actually printed here in Guelph, and I have the permission of the publisher for anybody who would be interested to take photocopies of it. There are some very enlightening stories about people who have converted their houses to solar electricity. There is one story especially. I talked to the gentleman not long ago. He has converted an old farmhouse completely to solar. It says, "The panels convert the sun's rays into electricity and it's stored in six large batteries as a backup for days when there is no sun and of course for night-time use." He runs an office from his place and has all the amenities. He runs a computer, fax machine and a VCR.

It certainly is very obvious to me that it can be done. There are all kinds of solar equipment on the market. Unfortunately, so far the only catalogue I was able to obtain is called Remote Power Systems, from a company in the United States. It is from Atlantic Solar Products Inc in Baltimore, Maryland. The price list refers to a 1991 catalogue. It gives you the highest-priced PV general set hybrid system, which supplies all the power—it is a pre-packed power system—for US\$10,475.

**Mr McGuinty:** I am a bit confused. The government and Hydro, as the government's mouthpiece, have been telling us that Bill 118 is good for the environment because it is going to enable Hydro to have people switch from electric heating to gas or oil, and there has been some talk of biomass—burning wood—but to my knowledge there has been no mention of solar or wind power. But you are sitting here, as an environmentalist and as a man who have given this a great deal of thought, telling me that unless we

switch to solar or wind power Bill 118 is not environmentally friendly, so to speak.

**Mr Kleinau:** We feel that this getting away from electricity does not have to be as painful as it has been made out by previous speakers. People who definitely and desperately want to switch to natural gas have to put in the duct system and everything. It will cost them a lot of money. But in this case, with solar heat, you use all the electric wiring you have in the house.

Yesterday, I visited a good member of our group. He has solar panels. He had the wind turbines just recently installed and he has his heaters on electric. He said: "I'm pumping green. I'm all excited. It's just off these turbines." Of course, it has been such dreary weather lately that everybody would say, "What power do you get from photovoltaic panels?" Even these panels give you some electricity on a cloudy day. There does not need to be a bright sun.

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At the same time, I installed a solar water heater in my previous house in the early 1980s, when the Department of Energy, Mines and Resources, the federal ministry, was giving a kind of subsidy to it, and I was perfectly happy with it. I know that Jenny Carter, the previous Minister of Energy, owns a solar water heating system and is very happy with it. This is the way to go to get away from any environmental damage. Natural gas still has impact on the environment. We can look a little further afield. Sour gas wells and these sour gas fires going in Saskatchewan and Alberta on a regular basis are putting the environment at risk. At the same time we have to build the transmission facilities to accommodate the higher demand, if that is the case.

**Mr Arnott:** Thank you, Mr Kleinau, for coming in today. I just want you to know that I parked my car about two spaces from Derek's at Queen's Park and if he forgets to put his stickers on I will be sure to remind him.

**Mr Fletcher:** Thank you.

**Mr Arnott:** The \$30-billion debt figure has been an important side of this issue that has been brought forward. Many witnesses have expressed concern about it and have used that as justification for the fact that Ontario Hydro is out of control or is not spending its money wisely. Six billion dollars is the figure being used right now by the chairman for the demand management programs, which is a full 20% of that debt figure. That is money that could be used to pay down the debt everyone is concerned about. How do you feel about that?

**Mr Kleinau:** In our opinion, we are certainly not impressed by the way Ontario Hydro goes along with its conservation program, especially when they are passing out these EEL. You know what that is: energy-efficient lightbulbs. That is what we call them: EELs. At the same time, there is a lot of waste going on that does not need to be done.

**Mr Jordan:** You mean these?

**Mr Kleinau:** Yes.

**The Chair:** Did Mr Jordan have a brief question, or did you have one subsequent brief question in reference to those?

**Mr Arnott:** No, I am fine, thank you very much.

**The Chair:** You know the question.

**Mr Jordan:** Thank you, Mr Chairman, but I thought I would help our fine gentleman who has made an excellent presentation here. I and the people I represent have always been sincerely interested in alternative sources of energy. Our concern was that we maintain a strong base supply of energy so that the uncertainty to industry of supply and cost could be dealt with. That is our only concern. I do not care really how they do it, but we have to do it, and that \$7 million on this, if it had been spent in Lanark-Renfrew would get every sawmill back on the road and take a lot of pressure off.

**Mr Kleinau:** At the same time, to take some of the load off Ontario Hydro and to get away from this building new generating facilities is the way to go, in our opinion. It would be very easy on their conversion money if you subsidize something and you want to get good value for your money. Hydro would still be involved in the system because it would give out these systems and let people pay it back for the loan or for the mortgage, instead of a Hydro bill. We have all these renewable energy sources which can be tapped and we do not need to go back to oil and gas, as far as I am concerned.

**The Chair:** Sir, all of us thank you for taking the time to come here today and obviously for your ongoing work and interest in the area of environmental concerns. We appreciate your time today. Are you going to leave that with us?

**Mr Kleinau:** Could I leave that with you? I would be very honoured if you would take a close look.

**The Chair:** Give it to one of the members here and we will file it with the clerk. Thank you. We appreciate your time and attendance.

#### MOUNT FOREST PUBLIC UTILITIES COMMISSION

**The Chair:** The next participant is the Mount Forest Public Utilities Commission. Please tell us who you are and proceed to make your submission.

**Mr Watson:** I have prepared remarks to make the presentation this afternoon, but I could not help but take a moment, for fear I do not have time when I finish, to commend Mr Densmore on his fine presentation.

As I sat there listening to Ross Densmore speaking to you, I suddenly started to add up the number of years both he and I have given to electricity and to our customers in Ontario. I think our combined years—would probably total in excess of 80 years with our interest in Ontario Hydro, what Ontario Hydro does for the rural area and for Ontario in general.

As an introduction, I am here today on behalf of the Mount Forest Public Utilities Commission. Mount Forest is an average-sized utility in the centre of a rural area of Ontario. We have 1,804 residential, 12 industrial, and 297 small commercial and institutional accounts, which accounts for the 2,113 customers currently being supplied.

The commission wishes to indicate its strong support for the two basic important principles: public power and power at cost.

Our Municipal Electric Association has already presented many of our views to the standing committee pertaining to Bill 118. This commission wholeheartedly endorses the changes they recommend. I specifically refer to the paper they presented to you on January 23, 1992, where they referred to three specific recommendations, on pages 5 and 6 of the submission.

**Fuel substitution:** Our utility is very concerned as to who will fund those programs and what devastating impact it will have on utilities. The funding should certainly not be part of the cost of power. Therefore, neither Ontario Hydro nor public utilities should become a party to such programs. Why?

With the help of the government's municipal directory—and I have it with me—I have attempted to assess what could conceivably be the outcome if, for example, natural gas were to be considered as the alternative substitute. Of all households in the area reviewed—I reviewed Wellington county, Bruce county and Grey county, which all surround our small community—64% would not nor could not receive that advantage. Sparsely settled villages, hamlets, strip developments, rural farms, etc, are but a few of the losers. Why should they, through their Hydro rates, have to contribute to subsidization of 36% of the 91,478 households in the area which is but a small corner of Ontario. Is this then not discrimination?

**Ramification to the utility:** In our situation, approximately 25% of all residential units are dependent on electrical energy for heat, water heater and lights. Should these units opt for other forms of energy—certainly some of them have and some of them will, given the present market—then the downside of the outcome can only translate into drastic increases to all minimum hydro bills—and I specify minimum hydro bills—to compensate for the loss of revenue needed to maintain the present infrastructure of the system.

Electric baseboard heating which, by the way, is 100% efficient, and electric water heaters certainly contribute a great deal to the off-peak demand load thereby assisting to reduce the generation cost created by other peak-load demands on the system.

For the record, our energy consumption already declined in 1991 by more than 3%. However, our peak demand has only declined by 1.5%, which for our utility translates into a loss of revenue of \$80,000, quite substantial when total revenue had been approximately \$2.75 million. Much of this loss can be directly traced to the change of residential heating.

Peak demand, as we all are aware, is what Hydro must provide for so blackouts do not occur; in other words, to deliver a reliable, dependable and safe supply of energy. As we turn off the switch to save energy, generation cannot throttle down that quickly. Therefore, some other source of use needs to be out there to utilize those valleys.

It seems to me that off-peak load uses, such as referred to here, help reduce our overall cost of electrical power. As a matter of fact, for many years Ontario Hydro promoted the concept to help reduce the overall cost of power. It made common sense then and it still does in the real world today.

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It also seems to me that there are those who wish to live in Utopia without light or with lights at a cost some of us may not be able to afford. The moral is lost revenue, which removes the ability to maintain the system unless rates increase dramatically or unless government wishes to subsidize the electrical infrastructure similar to the conditional grant program for highway maintenance. Otherwise, reliable, safe, dependable energy will not be there perhaps even to operate those 52-watt lamps.

Bill 118: I have read in articles that Bill 118, as proposed, allows for too much interference by the provincial government in the activities of Ontario Hydro. It cannot, nor should it be permitted to do so. Surely the board of directors, properly appointed, can manage Hydro. An appropriate change could be to include municipal representatives on the board, inasmuch as they report directly, by election, to 75% of the consumers who use electrical energy. I would be naïve not to recognize that the overview of Ontario Hydro might appear different in the larger arena, but let us not forget that not all of us live in the metropolis of the big city.

Before closing, one more item that really hurts the citizens and customers I speak with and for in Mount Forest is the Elliot Lake handout or social gift, along with many other dollars Ontario Hydro has apparently spent on an antique situation in the north. It hurts that our citizens and my neighbours, as well as all good citizens of Ontario, will bear these extraordinary costs in their energy bills, which naturally includes our electrically heated homes.

I have a copy here of an article appeared in the November 25, 1987, *Kitchener-Waterloo Record*—I believe the Honourable Mr Ferguson comes from that community—that referred to a uranium find at Cigar Lake, Saskatchewan, so pure that 60 tonnes of ore would produce as much uranium as 10,000 tonnes of ore from Elliot Lake. Also, there appeared to be no noticeable radiation, as it was contained within the lake. The article further stated that it was felt spent uranium could be safely stored in the same manner. Has this government ever been in touch with AECL to find out if this venture of theirs, being atomic energy, is fact or fiction?

In conclusion, power at cost must be reinstated as a priority, for as far as anyone can tell it is the cleanest, most efficient, safest energy to be used in the home. No fuel subsidization program should be a part of energy costs by Ontario Hydro or the local utility. We continue to support the MEA in its efforts to guard the portals.

I hope and trust the Honourable Will Ferguson will be a man of his word as contained in the letter of October 2, 1991, to Mr Marv LeClair of the MEA and not lower himself to read between the lines. I quote from that letter, "The government has made it clear that it will listen to what is said about the proposed amendments to the Power Corporation Act and that we will be responsive where we feel that such action is in the interests of the people of Ontario." I trust Mr Ferguson is including us in that sentence.

This concludes my prepared text on behalf of the Mount Forest Public Utilities Commission. I have appreciated the

committee's time for this presentation. Should you have any questions, I am willing to respond.

**Mr Conway:** Thank you, Mr Watson. You give the appearance of being a man with a point of view, and that is the kind of people I enjoy.

I have two quick questions, one having to do with the local municipal electrical association, in your case, Mount Forest. I will perhaps pick on you here—and I do not mean to—but I have been sitting for days listening to testimony. Let me play devil's advocate for a moment and ask you to respond to a point of view that I think is gaining support in significant measure across the province. That criticism would go something like this:

Those people at these local utilities, largely middle-aged men, are good people. They basically are in the business of distributing electricity, but inevitably they have been caught up in a conflict of interest in all this because they are necessarily today, as they have always been, very closely associated with the Hydro-Electric Power Commission of Ontario. It is kind of an old boys' network and they do not understand, good people though they may be, the fundamental issues that relate to choices around the sourcing of our electricity. They do not understand that there is a choice to be made with very significant environmental and social aspects having to do with the choice of nuclear power or the choice of—well, let's use nuclear; I think it would probably be the most oft-cited one. These people mean well, but they are just sort of out of touch with the contemporary reality and, you know, they are not very accountable either. Yes, they get elected, but who really understands who they are? It is worse than the school boards. I mean, 15% or 20% of the voters go out and cast ballots where that is the case and, gee whiz, we are going to have to really discount a lot of what they say because they are not really in touch with contemporary reality. How would you respond to that?

**Mr Watson:** I guess I would say this in response to your comment: I can tell that you have never attended a meeting where Ontario Hydro and local utility commissioners attended and heard the discussions that went forth indicating the concern small utilities and all utilities have for the way Hydro operates its affairs from time to time.

I would like to carry that statement one step further and say to you that we are as much concerned—I have sat as a mayor and a commissioner and an electrical contractor. I have been an electrical contractor for 25 years, I have been on a commission for 20 years and I am now directly involved in the utility, so I think I talk for a lot of people whom I have dealt with out and across this province. I have worked all the way from Brighton to Sarnia to Espanola doing electrical work, so I hear a lot of discussion about what goes on around the province.

To get back to the point that you are asking—

**Mr Conway:** I want you to understand, sir, that it is not my criticism. I am summarizing.

**The Chair:** Let the man finish. We are running out of time.

**Mr Conway:** It is a fair point, but I want the witness to understand this.

**Mr Watson:** I understand. I understand where you are coming from and I appreciate your question. It raises a very valid point in a meeting such as this. I think that is the feeling our present government has, that somehow the commissioners and small utilities are in bed, if you will, with Ontario Hydro. We realize Ontario Hydro is out of control in some ways that we feel it should address, and I think they can address it, given a little bit of guidance. They do not need to be told how; they need some guidance. Sometimes all of us, if we have not done anything, have not made a mistake.

Hydro has done things to try to supply power so that people are not without power when the chips are down and the demand is high. I think over the years they have proved they can do that. Out of control, maybe, in the fact that they are overburdened with top-end staff and high-paid help. Some of their problems are not generated within the scope of Ontario Hydro. Some of the problem comes from the fact of things they must live with, and labour happens to be one of them. It is no simple problem, and we know they create the highest wage structure in the province mainly because of other factors that have controlled that part of their operation.

**Mr Arnott:** Thank you very much for your fine presentation, Mr Watson. I just want to let you know that I was talking to a farmer in Arthur township on Sunday afternoon. He told me his hydro bill on a monthly basis on average is about \$1,100 to \$1,400. Of course he buys directly from Hydro because he is in the township. He uses hydro for a number of things: ventilation, his milking operation and his feed mill. Incentives to switch will not help him in those respects.

Where is the fairness for him if his neighbours in the town of Mount Forest are able to take advantage of the provisions in Bill 118, where they get a big benefit for fuel switching and part of that cost is reflected in his hydro bill?

1520

**Mr Watson:** I think we are quite aware, Ted, that for the rural area there is subsidization now. You are aware of it. The rate there is 20-some cents and a 6.5-cent credit coming back to them in the first rate. However, I agree in the sense that I think there has to be a block of power returned. We used to have a block of power years ago. If you had a water heater you got a special rate.

For those people who are not in a position to switch to other types of energy I think we have to reincorporate a block of energy by doing a study of those locations, in particular the residents and their operations, whether it be a farm or residents in a rural area, and determine if they insulate properly and do all the proper things. Then they measure up the house and we do an evaluation of the energy they are going to be required to use for that particular size of home. Then we create a special block of energy for those people so that they are not penalized by what may come down the pipe. Then we can revert back to having a charge that realistically encourages people to get off electric for uses that do not necessarily need to be there. I think that is something that needs to be fully discussed with

Hydro to see what direction—off-power is not necessarily the answer either, off-peak load.

We could go on all day here, but this is not the discussion we are here about. These are things I see where we could really sit down and solve a big problem. I am sure Ross and I are both on the same wavelength and I know most people are. We want to conserve energy, but we still have to realize that people maybe need a refrigerator and that maybe we cannot get it off these sorts of things. People cannot get off electricity if they are in a rural area.

I have a son living on a farm with electric heat in his house and I recognize the problem there. I have a couple of homes with electric heat in Mount Forest. I wanted to have some gas installed to get a comparison and I have found it is not that great a saving. I actually had a costing for two homes identically built. I knew our hydro bills were running neck and neck month after month when both homes were all-electric. Then I converted one home to gas, a unit fireplace and a water heater. I now see the bill and it has not dropped enough to compensate for the extra capital cost that was required to do just that.

I do not really know where the cost saving is coming from in some instances. We have condominiums that are electric heat and I just do not know how we are going to put gas into those. The thing is too broad, really, and we cannot take the time here. I am sure the Chairman would be upset at me if we did.

**The Chair:** We would never get upset at you, sir. There are others here to whom I can vent my anger on occasion.

**Mr Huget:** Thank you for your presentation. I think one of the things you should know is that all during these committee hearings there has been a variety of opinion on the power issue but that there certainly has never been any variety of opinion on the respect this committee holds for the people who work for Ontario Hydro and who indeed work in the industry. We have been criticizing a lot of things, but one of them is not the people.

I want to address specifically one of the comments in your presentation. It refers to your disappointment with what you would view, I suppose, as a misdirected use of Hydro funds in the Elliot Lake situation. Is that correct?

**Mr Watson:** Correct.

**Mr Huget:** Do you view it as misdirected?

**Mr Watson:** I am not in Elliot Lake, but in articles I have read in the newspaper and by way of association, yes.

**Mr Huget:** I just have a final question.

**The Chair:** Mr Huget, you have one question like Mr Arnott had one question.

Sir, I have to tell you that we appreciate you very much for the time you have taken to be here and the interest you have shown in the issue. I suspect that you have generated, in your own right, some new areas of thought on this issue. You may well see them by way of amendments that are proposed by one or the other of the caucuses during clause-by-clause consideration. Thank you, sir, we appreciate your time. Take care.

### HYDRO-ELECTRIC COMMISSION OF CAMBRIDGE AND NORTH DUMFRIES

**The Chair:** The next participant is the Cambridge and North Dumfries Hydro.

**Ms Mitchell:** I will have to sit here where the light is better.

**Mr Boyle:** Part of the old boys' club.

**Ms Mitchell:** Yes, I am part of the old boys' club. Our general manager, Bill Boyle, will join me here.

I was first elected to the Cambridge and North Dumfries Hydro commission in 1988 and I ran again in 1991 and was re-elected again. I have enjoyed my work with Hydro and I do have some opinions that I would like to share with you at this time.

I am Andrea Mitchell, chairperson of Cambridge and North Dumfries Hydro. I wish to pass on the serious concerns of the commission with the proposed amendments to the Power Corporation Act. Cambridge and North Dumfries Hydro has over 35,000 customers and has experienced considerable growth over the past five years in spite of zero growth in the last two years due to the poor economy. Our number of customers has risen by 23% and our load has risen by 36%. The bulk of our supply is used by commercial and industrial customers. It is very important to maintain the advantage of less expensive electrical energy to help these customers compete in the free trade market.

The concept of power at cost has served Ontario very well over the past 80 years. This principle should be reinforced by the Ontario government. The cost of electricity should not include costs of the Ontario government's social programs that are not related to the electrical consumers' best interests. The Elliot Lake bailout is an example of this.

The government of the day clearly has the authority to direct Ontario Hydro to undertake program initiatives within the context of the Power Corporation Act. However, we strongly object to expanding this authority to allow the current government to direct Ontario Hydro to undertake actions which are not in keeping with its original mandate: the provision of power at cost. If the Ontario government wishes to undertake investments in social programs or economic development, it should do so explicitly through direct government action, not by hiding the costs of such programs in electricity rates.

Cambridge and North Dumfries Hydro has a customer service policy which states that we should assist our customers to use energy as efficiently and effectively as possible. We do not object to fuel substitution where it is in the customers' best interests and where it can help to lower their overall energy costs. Given the current differential that exists between natural gas and electricity prices, we routinely advise customers who have a choice between electric and natural gas space heating that natural gas is their least expensive alternative.

We also do not object to the concept of encouraging fuel substitution for space heating. Although the short-term impact of such fuel substitution will reduce our net revenues and result in higher overall rates, we believe that in the longer term, if properly managed such load reductions

will result in reduced need for new generation and lower overall electricity rates. Conceptually, such a reduction will provide virtually the same effects as other forms of reduction due to demand management.

Our concern, however, is that the inclusion of fuel substitution in Bill 118 will lead to a dangerous misdirection of energy policy in Ontario. In 1982, the federal government's Canadian oil substitution program encouraged customers to convert away from oil to natural gas, electricity and other forms of energy. Now, 10 years later, we are going to mount a campaign to convince electric-heating customers to convert to natural gas, oil and possibly wood.

Apart from confusing the poor home owner caught in these conflicting policy currents and providing a lot of business for heating contractors, this type of shell game does nothing to solve the underlying problem of increasing the efficiency of our housing stock, but merely shifts the problem from one fuel source to another. Focusing on improving the efficiency of the home, on the other hand, reduces the demand for all forms of energy, has greater environmental benefits and provides real, long-term savings.

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Our second concern with a policy focused on fuel substitution is that we believe that the anticipated potential is much smaller than forecast and that the focus on substitution will result in deferral or cancellation of other programs aimed at demand reduction. There is currently a 45% cost differential between heating with a standard natural gas furnace and electricity in our area. The natural gas utility has certainly not been reticent in making customers aware of the potential savings opportunity. Surely those customers who have the opportunity to convert to natural gas and wish to do so already have sufficient motivation. Despite this, approximately 12% of the homes in our service area use electric heating. Why is this the case? At least 15% of our electric heating customers live in areas where natural gas is not available to them. For these customers the savings from fuel substitution would be minor at best and only worth considering if their existing heating systems needed to be replaced.

Approximately 78% of the homes using electric heating in our service territory use baseboard heating. To add a distribution system and furnace to these homes with baseboard heating is not only prohibitively expensive but would require substantial disruption to the household. Even if an attractive incentive were offered, how many Ontario home owners will decide to undergo the inconvenience of having a heating contractor come into their homes, tear open walls and ceilings and floors to install duct work and then undergo the expense of redecorating and painting to cover up the results? The average cost of converting a baseboard heating system to forced-air natural gas heating is estimated to be between \$8,000 and \$10,000. It is our belief that an equivalent expenditure on energy management improvements would often provide an equal or greater benefit to the customer, which will only be enhanced by future cost increases in all energy forms.

Ontario Hydro and Census Canada statistics indicate that between 74% and 78% of electrically heated homes across Ontario use either baseboard or radiant ceiling heating. We

do not feel that any realistic incentive level, estimated at \$2,000 to \$3,000 per home, will succeed in convincing most home owners with baseboard heating to convert to another fuel. As a result, we question whether the projected demand savings will be achieved. The projection of 3,800 megawatts of savings due to fuel substitution in Ontario Hydro's latest demand-supply plan seems to indicate that more than 400,000 of the existing 600,000 all-electric homes in the province would have to convert.

However, we have already seen indications that the concern over fuel substitution has resulted in energy management programs being deferred or cancelled. Ontario Hydro's water heater tune-up program, which was widely accepted and supported by municipal utilities, was cancelled at the end of 1991 due to just such a concern.

In summary, while we encourage customers who can do so cost-effectively to convert their heating systems to a less expensive energy form, such as natural gas, we believe the economic incentives already provided by the market are sufficient. We strongly urge that fuel substitution not become the dominant policy focus for energy policy in the province and that programs to assist electric heating customers in improving the efficiency of their homes not be cancelled or delayed as a result.

As one final comment concerning fuel substitution, if the government elects to proceed with the proposed changes to the act, we urge that the following conditions be included in any fuel substitution program:

1. That in order to qualify for the grant the home must be upgraded to current insulation and air sealing standards.
2. That minimum efficiency standards be established for eligible equipment, ie, limited to high-efficiency gas furnaces.
3. That participating contractors must be fully trained and qualified and be registered with the program.
4. That an inspection be required for all installations and that an audit program be established to ensure the quality of installations meet all relevant safety and efficiency standards.
5. That the Minister of Energy commit to producing and distributing a publication to provide customers with actual energy cost comparisons, realistic conversion costs and anticipated paybacks available from conversion to different fuel sources. One of the most common problems during the previous off-oil program was that consumers were faced with conflicting information on relative energy prices and often had unrealistic expectations of the benefits of conversion. This document should also provide comparisons with alternative expenditures on efficiency improvements.
6. That a more realistic assessment of the potential for fuel substitution, given various incentive levels, be conducted in order to ensure that targets included in Ontario Hydro's future plans be achievable.

Thank you, gentlemen and ladies.

**The Vice-Chair:** Thank you very much. We will start this round of interaction with Mr Arnott.

**Mr Arnott:** Thank you very much for your presentation. I very much appreciate the information you provided, particularly towards the end when you talked about the

fact that there are approximately 600,000 all-electric homes right now in Ontario and 400,000 of them would have to convert to meet the projected numbers included in this latest demand-supply plan. I have grave reservations about the numbers in here. The information you have provided certainly gives us cause to be concerned about those numbers as well.

**Mr Jordan:** Thank you for your excellent presentation. I welcome you, I believe, as the first lady to come. You are chairman of the board?

**Ms Mitchell:** Yes, the second year as chairperson.

**Mr Jordan:** How long have you served on the commission?

**Ms Mitchell:** This is my fourth year.

**Mr Jordan:** I am happy to see that. I am sure you are enjoying the challenge of meeting the requirements of the customers in Cambridge.

**Ms Mitchell:** I certainly am.

**Mr Jordan:** I can see you have put considerable work into this presentation. In the summary at the back you have Ontario statistics from 1986.

How would you feel about a previous suggestion, that a block of power be made available at a special rate to those people with baseboard heat who do not want to tear their homes apart to put in duct work and so on? Would you see that as a solution if the government should insist on going ahead with the residential substitution program?

**Ms Mitchell:** I do not think that would be viable. Bill, you speak to that.

**Mr Boyle:** There are various ways of rebating customers money if it is decided to do so for certain reasons. Tinkering with the rate structure is probably not the way to do it. Rate structures generally still decline the more you use. There are suggestions that it should not decline, that it should be inverted the other way. Rate structures are changing, and I think the less tampering with allowances inside the rate structure, the better. The simpler they are, the better. Certainly customers can get a monthly rebate if it is deemed proper for certain purposes.

**Mr Jordan:** So something to make it fair for those who do not have gas as an alternative fuel or have a system that it is not practical to convert.

**Mr Boyle:** Basically I do not agree that subsidization should be given to anyone.

**Mr Jordan:** It should be left to the marketplace?

**Mr Boyle:** Yes.

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**Mr Fletcher:** Welcome. I have a quick question. You were saying that Elliot Lake was a misdirected use of Hydro revenue. If that were the case, would paying several times the world price for your uranium from Elliot Lake also be a misdirection of funds?

**Ms Mitchell:** You speak to that, Bill.

**Mr Boyle:** Paying too much for uranium?

**Mr Fletcher:** Previous governments had contracts with Elliot Lake paying several times the world price.

**Mr Boyle:** I agree.

**Mr Klopp:** Thank you for your comments. I think some of them are echoed in what Bill 118 talks about, that they do all kinds of energy. You mentioned the off-oil programs of long ago. I was one who took advantage of it because I had to change my hydro system over anyway, so I took advantage. But it reminds me of other government programs. They paid me to take fence rows down and then 10 years later another government paid me to put trees up. It seems people do jump around a lot.

Do you think maybe one of the problems of past governments, federal and provincial, with the off-oil programs, was that they did not use a mechanism like Ontario Hydro, with all its expertise, to be part of that mix, so that we do get a totally energy-efficient package out there?

**Ms Mitchell:** Probably that is true. I think Ontario Hydro is spending a great deal of time and money to make this as equitable as possible. Is that what you mean? Do you mean people were not well enough informed about the off-oil programs?

**Mr Klopp:** It seemed to me that on the off-oil programs one ministry was telling us one thing but never asked anybody like Ontario Hydro, "Why don't we use your expertise?"

**The Vice-Chair:** Quickly, Mr Klopp.

**Mr Klopp:** I bet you 10 to 1 we can find articles that Ontario Hydro staff were laughing, because even I was. The only reason I went to electrical was because I was going with wood full time. As my electrician and I talked it over, my real savings were every time I had the wood on. Oil was high at that time, but he said, "Electrical and oil really aren't much different, but you're using wood, so that's only your backup." I said, "How come they're not talking about this?" He said, "I guess one hand isn't leading." Is that not a positive step then in Bill 118, that we are tying Ontario Hydro in to be part of this process, to use its expertise to make sure it is an efficient use of whatever alternatives we go to?

**Ms Mitchell:** I suppose you are right, but I do not think it should be subsidized through electricity rates. Is that what you mean?

**Mr Klopp:** I was wondering about their expertise being part of the process.

**Ms Mitchell:** I missed your point.

**Mr McGuinty:** Ms Mitchell, I thoroughly enjoyed your presentation. In particular, what you have brought to our attention here is that we are talking about people. We have to contend with the human factor. As you highlight in here, we are wont to look for solutions to complex problems that are neat and simple and completely wrong. That is one of our hangups. As people, we are stuck with that. That is evidenced to some extent in taxpayers federally paying for us to switch off oil. Now Bill 118 would have ratepayers pay perhaps the same individuals to switch back to oil.

I was upstairs after I booked myself into a room in this hotel. It was recently renovated and there is a window heating-cooling unit. It is just plugged into the wall. I assume that on the efficiency scale it is probably very inefficient. I

was wondering, if there were a subsidization program of some kind, how much money would I need to put the necessary duct work into a hotel I had recently renovated? What loss of business would that mean while that work was being carried out? Would I feasibly want to make that kind of undertaking? As I say, you have brought in the human factor. I do not know what Hydro's assumed penetration rate was, but it would appear it is too high.

**Ms Mitchell:** Yes, I agree with you. So does the commission. I think the projection is too high. I think they should reconsider that.

**The Vice-Chair:** Thank you both for coming and making the presentation. It was most insightful. You can contact any of the local members and get all of the particulars and the outcome of all of this. It should be quite interesting, the week in Toronto.

#### NEW TECUMSETH HYDRO-ELECTRIC COMMISSION

**The Vice-Chair:** The next will be the amalgamated towns of Alliston, Beeton, Tecumseth and Tottenham. If that is not a mouthful—

**Mr Mallard:** We call it New Tecumseth, Mr Chair.

**The Vice-Chair:** It was not the way it was when I was growing up.

**Mr Richardson:** My name is Jim Richardson. I am the general manager of the New Tecumseth Hydro-Electric Commission. As noted in your dialogue with one of our commissioners, our name has just changed. Our letterhead shows the old name, but as of January 1 it has changed. Try not to be confused by that.

The town of New Tecumseth is a rural-urban area of about 20,000 people and we have three urban centres of about 6,000, 4,000 and 2,000 people. So we have quite a mixture there. As to what our town is like, we are a community in central Ontario, a little southwest of Barrie, so we are general, simple, central Ontario people.

We would like to thank you for the opportunity to come and speak to you today and to present our views. The way we want to make our presentation today is to report what the people of our community see and feel about this proposed Bill 118.

We have a presentation that our commissioner, Mr Mallard, who is the elected representative, will bring to you. We did a poll of some of the people and that is basically what we want to bring to you today, not only our views as a commission, but the views of the people in our community. So I would turn it over now to our commissioner, Mr Mallard.

**Mr Mallard:** It was an informal poll; there is no scientific basis at all. You have to remember that we are a grass-roots community. We represent rural and urban people. We are the type of people who stand on the street corner and talk to each other. We talk to each other about the NDP government and what it is going to do to us and what Brian Mulroney does on the other side of the street. We are kind of horrified in actual fact, because you can think of so many things to alter, but you do not want to alter the economy. But, of course, that is another story.

Lots of people had no idea at all about Bill 118. They did not know a thing about it when we talked to them, so we had to try to explain it. In a word, it seems that our government has decided to alter something that is working. Now, I wonder why it would alter something that was working. Normally, you would alter something that was not working. It has been working for many, many years.

We have had a superb hydro system. Our government advertised it as the best hydro system in the whole of North America. I would support that view, but I also support the view that this is a public corporation that should not be in the business of government. We should not at any time be talking about assisting anyone to do anything other than make the market forces known so that people can purchase hydro at a particular rate and gas at another rate, and if you choose one or the other you are going to benefit. If you are not sharp enough to do it, that is your fault.

We feel the government should have provided more public information on what the bill is about and its ramifications. What is it going to do to the ratepayer? Will it increase our rates or will it decrease our rates? In actual fact, there is concern. During this last municipal election campaign, knocking on doors, people were very concerned with what is going to happen to hydro rates. We have had 10% and 12% increases over these last couple of years, plus the GST, and I know that this is not your fault.

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**Mr Klopp:** Neither is the Hydro rates going up.

**Mr Mallard:** Well, they have gone up. Everything has gone up. We are in real bad times, Mr Chairman, and what the hell are we going to do? It is going to be tough. When you say, "Well, look, the NDP government has"—and I am going to say NDP government because that is what you are; I know you are not all NDP here, thank God, although I voted for the buggers—you will have to cross that out.

More public information: You are doing it for us today, but why did you not tell the general public what you were going to do, a general public very satisfied with the hydro system.

You are going to put on more directors. Why the hell are you going to put on more directors? We are paying enough already. If you put on more directors, you will add cost to our system, but also what you are going to do is allow the NDP government to put political influence into the corporation that we do not really need.

The consumer does not need politics in Hydro; we need cheap power. Are we getting it? It is reasonable at the present time, but if you add 2% and 3% because the NDP government wants to add to multiculturalism and to some unwanted programs or something like that, we are going to get very angry with you guys, and in two and a half years there is going to be an election. You have added it up, have you? Looking forward to it?

If you were going to add to the directors, it is suggested on the street corner that maybe you should not take those technocrats or the people that you politicians tend to appoint, you know, the old piggy barrel. Maybe you can look for blue collar workers, for ordinary people, and get

ordinary people's input into the system, instead of a guy that wears a tie.

Then, of course, you are going to issue policy directives. But let's go with government involvement with a crown corporation: Maybe it should be at arm's length, but you are taking the arm's length away from it. I hope you are reading these notes. Are you reading these notes? If government gets into everything, government can control nothing. If you appoint a commission to do something, then let it do it, let Hydro be Hydro and government be government.

I would not want to see a minister of the crown sitting on Hydro, because he is going to tell his newly elected directors what the hell to do. And it might not be in the interest of the ratepayers, it might just be for the interest of the NDP government or—

**Interjection:** No.

**Mr Mallard:** Is that not terrible? But that is the perception. You see, we not only deal with the reality, we deal with the perceptions of the reality.

I am going to start reading now because I am spouting too much. They want less government involved in everything. The policy directive issue will increase government, therefore increase costs. As one person said, what makes the government think it knows best? Of course, what the hell does government know about hydro. Hydro knows about hydro. Maybe we report to you. Maybe we have to have the analytical experts. But a guy who is elected because he pays dues to a particular political party, it does not make him an expert in hydro. He sits on the back benches, he votes as the Premier tells him to vote.

More government involvement through policy directives: This is really a crock, because your minister said, "Well, if we do this, this is going to open the process up." What the hell does he mean by opening the process up? Policy directives are going to come from cabinet. Now he has said that it will come through the Lieutenant Governor in Council. That makes it open? Bullshit. It makes it closed, because it comes from cabinet. The Legislature did not discuss it. The people of this province were never ever consulted.

Let's talk about the directors. If a policy comes in, the directors are only empowered to implement it. You mean they cannot object? So you can say, "Okay, we'll buy cloth diapers for everybody in the province," and the directors cannot say, "You're bullshitting." Excuse me. But it is true: That is what it is. It is a directive and they have to enact it. Where are you guys coming from?

Hidden taxes we strongly dislike of course, we are so overtaxed. Do you know why we are overtaxed? We have too many damn politicians. We are overtaxed, overtaxed and overtaxed. You want to pick up every little pebble. There are no pebbles on the beach now, are there? We are kind of broke, all of us. You have to be careful.

If you want a tax, show the tax. Do not hide it in some hideaway, because hydro users want to switch a light on and know that they are going to pay so much for that light. They do not want 20% of it going to some other facility that someone has dreamt up in an office when they are sitting down smoking a cigar and drinking old port.

As for the fuel-switching system, if it is economic, of course, the home owner will do it himself. I will read the line: "The fuel-switching issue had mixed responses." Terribly mixed responses. It basically comes down to who had electric heat and who did not. If you had electric heat, they liked the idea that somebody else was going to pay for the switchover. Why not? Shit, you can build a whole house. This is the greatest thing in the world.

You are going to get the electric consumer, the guy who is paying the rates, me, to pay for the jerk up the road who has just bought a new house to change over to gas heating. Did you ever think of the cost to install gas heating systems into two-storey houses that were made for electrical heat? The ducting systems alone, because you have to open walls, you have to open ceilings, it is horrendous.

I suggest to you, if you are going to put some type of regulation like this, what you have got to do is say: "Okay. All those houses are built. If it's going to be an economic advantage for you to change over, do it by yourselves. Don't come into my pocket." But then you alter the building codes and you say, "No more houses to be built with hydro heat." You have it.

If it is going to be economically feasible to change from hydro to gas, which the bungalows will do, then let the gas people subsidize it, not us. When I switch a kettle on to heat the water, I do not want to be paying something to heat that guy's gas house. The savings were so strong—although there is nothing to say what the savings are, of course—when we moved over in our house from oil to gas, we paid for the whole system in three years. We did not ask anybody to do it and we were so happy as hell. Why should not other people be? Why do we want the NDP government to tell Ontario Hydro to pay all the other bugger's bills?

Oh, I am a limey. Sorry, Mr.Chair. It comes out, you know.

**The Vice-Chair:** I have to tell you that you are down to about six minutes left of your time allotment.

**Mr Mallard:** I am going to pass it over. You can read this. I will pass it over to Jim.

**Mr Richardson:** Our commission feels that Ontario Hydro is really in the business to look after the generation, transmission, distribution and sale of hydro. We do not think they are in any other business, and we do not feel we are in any other business as a local commission either, except to look after the electricity needs of our constituents.

Supplying power at cost is really where we think Ontario Hydro should be, and that is really where we feel that we as a commission should be. Not at reasonable cost, but at the lowest possible cost. That is where we think Ontario Hydro should be and where we should be. Ontario Hydro's business should be ensuring that the province has a sufficient supply of hydro to meet the short-term and the long-term needs.

Recently, we had a big snow storm out where we lived and the power was off for quite a while. When we get pressed into those emergency situations, I sometimes man the phones as well. The phones were going from about 8:30 in the morning until about 9 at night. They did not

stop ringing. The people wanted to know: "When is my power going to get back on? I want it on immediately. I've got a baby. I can't warm the bottle." You know the story. All they care about is, "I want to have hydro."

We feel very concerned that this government might be jeopardizing the long-term supply of hydro for the province. We do not want to gamble with that and I think that is what you are doing. You are gambling with the long-term supply of hydro for this province and we do not want to see that happen.

I was surprised to see in the Toronto Star on Sunday an article that echoed exactly what I had said here. They talk about an energy cushion. I do not know if you have read it, but the basic thing they say is that you have to make allowances for some forecasting error and you have to ensure that the hydro is there. When it comes to power and the Ontario economy's future, it is clearly better to be safe than sorry, and that is what we are saying: Please do not gamble with the long-term supply of hydro for the province.

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Another thing we heard from the people on the phone was "lower rates." I get calls on a regular basis from people who want the rates low. They are complaining that their rates are too high. You cannot put anything in the hydro rates except what it costs to produce that electricity, and only that cost. Please keep that in mind. Hydro rates are only for Hydro purposes. I think that is important.

The fuel switching will obviously put hydro rates to a level that is not just for the cost of hydro. If there is some long-term benefit there, we would like to see it. I do not believe there is a full economic analysis of what will happen with the fuel switching. Maybe it will prove itself out, but do the numbers first. Show how much it is going to cost to fuel-switch. Show how much you are going to save. Show in the long run, 10 years down the road, that the rates will be lower. Prove it to me and then I am on side. At the moment, we have not had any proof. Prove to me that fuel switching is going to reduce my rates in the long run and I think I will be on side, and I think the people will be as well. Some of the people have said, "I don't mind some short-term pain with hydro rates if you are going to prove to me I will get long-term gains." At the moment it has not been proven that we are going to see those long-term gains, so we are asking for a full financial analysis on that.

I believe what we have presented to you today is not the New Tecumseth Hydro-Electric Commission's viewpoint; it is that of the people we serve. It is their comments that we are passing on to you today, and we respectfully request that you fully take into account what the people of this province are saying.

**The Vice-Chair:** Thank you very much. We have about two or three minutes per caucus. We will start this one with Mr Wood.

**Mr Wood:** Thank you for coming forward with your presentation. Some of the news articles have compared Ontario Hydro and what has been developed over a number of years with the two previous governments in power, to the point where they build up a \$30-billion deficit; the interest on that is enormous. There have been comparisons

all the way from Sioux Lookout, from Ottawa, all over the province, that Ontario Hydro has been not only a nightmare under the previous governments but has been considered to be something like a monster where nobody had any control over it. One made a comparison to giving a blood transfusion to a dinosaur and it flopping around, and nobody had any control over it.

I am just wondering if in your opinion the debt that was built up with the Elliot Lake situation, where contracts were signed that cost an extra \$1.4 billion more than what they should have—if the right routes were taken over the last 10 or 15 years, prior to the new government being elected?

**Mr Mallard:** That kind of broad statement is not a question, is it, Mr Wood? I feel that a new government coming in has the ability to appoint directors to the board of Hydro. They have the choice. Over the years the Conservative, Liberal and NDP governments have had choices of the directors. They have had choices of caucusing with those directors and have been doing that, and there are guidelines. That should be sufficient. If you are not doing your job, do not blame us, and do not put any more on us.

The second part of it is that you have said—and it has been said before—that a \$1.4-billion debt was saved by going to Elliot Lake. We had the northern heritage program that the Hydro system will have to subsidize. I have never seen the figures. I looked and I asked the MEA to show me the \$1.4 billion that you guys saved by forcing us to buy higher-priced uranium. Where are the figures? You have not published them. I have not seen them. It would have been nice for you to have told the MEA that, that because you are going to buy higher-priced uranium, you make us save \$1.4 billion. I have been searching for it for a week and I cannot find it.

**Mr Wood:** Just briefly, I understand that information is available. It was read out in the Legislature and it is not secret, but they were secret contracts that were signed. Thank you very much, Mr Chairman.

**The Vice-Chair:** Mr Fletcher, you have about 30 seconds.

**Mr Fletcher:** I have just one question. As commissioner, are you appointed or elected?

**Mr Mallard:** Elected.

**Mr Fletcher:** So we should keep politicians out of this. I agree. Thank you very much.

**Mr Mallard:** You must be Liberal.

**Mr Fletcher:** Only in thinking, sometimes.

**Mr Cleary:** Thank you, gentlemen, for your presentation. I wish you would tell us how you really feel about this bill.

**Mr Mallard:** We think it is a crock. Why change something that is not broken?

**Mr Cleary:** Many of the presenters tell us, when they come, about their years of experience they have been involved in. I wonder if you gentlemen would share your background with us too. It has already been started.

**Mr Mallard:** I am an industrial chemist. I have been in this country since 1964 and have been Hydro commissioner

for the past four years. And yes, I did vote NDP in the last election, and I shall not ever do it again. I will chop me damn hands off before I do that.

**Mr Richardson:** I have been with the Hydro commission since 1986, in the general manager's capacity, so I have been at it for six years. Before that I was with Canada Wire and Cable, a manufacturing company which supplies to the Hydro commission. I was with them for 13 years.

**Mr Cleary:** I would like your comments on the present board of Ontario Hydro and the proposed board. Also, to add a little bit to that, what do you think of the conservation projects that Ontario Hydro and your utility have come out with; namely, Mr Jordan's lightbulb campaign?

**Mr Jordan:** Please do not attach me to it.

**Mr Richardson:** If you are asking what we think of the energy conservation programs that have taken place so far, I think with some of the lightbulb campaigns there are energy savings to be made, and that is good. I think a lot of it has to do with making people aware that there are ways they should conserve and that they should start thinking of it. Certainly Ontario has been a very greedy province as far as consumption. I think the campaigns that have gone out have been not only saving some kilowatt-hours but have been increasing awareness too. I think that is important, that we have to get on side that energy conservation is a way to go. It not the only way; it is a way. I think there are a couple of steps we have to go through.

**Mr Arnott:** I want to get off topic a wee bit. You represent an area that was amalgamated; several municipalities were amalgamated. I just want to know what your experience was with respect to the change that you had undergone as a result of municipal amalgamation.

**Mr Richardson:** You mean regarding whether the amalgamation worked or did not work, or how the commission reacted to it?

**Mr Arnott:** How the commission responded to challenges that came forward.

**Mr Richardson:** The commission from the three urban centres was a joint commission for when we were trying to implement it. Then last year, the first year of working as the town, there were certainly different viewpoints as to how hydro systems should be run. I think the commission had a lot of good discussions and a lot of involvement in what should happen. In my view, the commission is stronger now than the three separate commissions of the past. You certainly lose a little bit of that close touch with the people, because now we are in a central area and we are not on the street all the time in the other urban areas we serve. So there is some concern with that.

**Mr Mallard:** That is the manager talking; let the commissioner talk. Really and truly, the Hydro commission—we set up the system as an amalgamated committee and it is working exceptionally well. Our problems with amalgamation are not with hydro because we are taking on an extra area that we are going to buy out. In actual fact, the problems are with the works department and things like that. Our act is there; we are doing a fantastic job. These guys are doing a good job.

It worked well, but the people are still very sad about it. If you have lost identity—I mean, we had eight guys working in our village cleaning streets and doing all sorts of things. Today we have two guys every other day. It is not working for us, but the hydro works.

**The Vice-Chair:** Thank you, Mr Arnott. Mr Jordan, very quickly.

**Mr Jordan:** Just a quick question. I was interested in the fact that Bill 118 was so poorly publicized at your local utility. Would that not be a responsibility of your utility, as soon as this bill comes up, to get it out to your ratepayers so that they understand it? We are looking at Ontario Hydro as a monster. I think the utilities have a certain amount of responsibility to get the message out, and I would like to compliment you on the fact that you have done it. Perhaps more should be doing it so that the people are aware when they turn on the light switch that it may not be just for electricity; there could be other charges.

**Mr Mallard:** We did try, but we try within the normal political process as well; you know, the people going around canvassing as all these things come up. But you have to remember that Bill 118 is an act of the Parliament of Ontario. It is your job to advertise it, to make it public. It is no good putting it on the back page of the Globe and Mail, because 90% of the province do not read the Globe and Mail. You have got to get out there and do it. It is not for me to tell you what to do, but it is up to you to get some of those minions who work for you in Queen's Park to do that.

**The Vice-Chair:** Thank you, Mr Jordan. I am going to make a couple of comments here. One is that there has been some discussion about the way we advertise this. We went out of our way as a committee, actually; we spent \$32,000. We advertised in every weekly and every daily paper in this province so that everyone would know. That is a lot of money, and if we are not getting the message out we would like some input into how we can better do that. We are always willing to do that, but we actually hit every paper in the province.

**Mr Mallard:** Could I answer that briefly, Mr Chairman?

**The Vice-Chair:** Yes.

**Mr Mallard:** When you see the crown and an edge around a publication from government, because you are considered lower than a—whatever you can get down to—people will not read it; they generally will not read it. You have to get it out under that splashy photograph of the guy sitting over there. That is the way you get publicity, not the way you are doing it.

**The Vice-Chair:** Okay, thank you very much for your opinions. It has been very interesting.

**The Chair:** You know that if the Premier reads that transcript, you are going to open old wounds. You know that, do you not, Mr Mallard?

**Mr Mallard:** Yes, I think I do. But I shall support you but not vote for you. Thank you, Mr Chairman.

**The Vice-Chair:** Thank you very much.

**The Chair:** Thank you, Mr Waters, for your excellent chairing during a most interesting submission.

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W. C. WOOD CO LTD

**The Chair:** The next participant is W. C. Wood Co Ltd, Steve Griffin, manager, product engineering. Please come forward and be seated. We have your written material. It is going to become part of the record by virtue of being made an exhibit. Tell us what you will, when you speak, of the appliances you manufacture. Please explain those a little bit just so we can put your submission in context.

**Mr Griffin:** My name is Steve Griffin and, as already mentioned, I am the manager of product engineering for W. C. Wood Co located here in Guelph. W.C. Wood Co and an affiliated company operating in Ohio are owned by the Wood family, who again are out of Guelph, Ontario.

We manufacture a variety of major appliances for the North American market, primarily freezers—chest freezers and upright freezers—and home comfort products, which are dehumidifiers, humidifiers and range hoods. We currently employ up to 800 people in the Guelph area, with an annual payroll in excess of \$20 million. Our products are widely recognized for leadership in reliability and energy efficiency. As such, we as a company are well aware of the importance of energy conservation initiatives and really do strongly support well-considered measures. We also have concerns regarding the future employment of our dedicated workforce, as the regulatory environment in Canada, and in particular the province of Ontario, makes it increasingly difficult for our industry to survive.

The committee should be aware of two things. First are the Ontario factory closures in our industry within the last two years. These include General Freezer at Woodbridge, Inglis's refrigerator facility in Toronto and WCI Canada's freezer manufacturing facility in Cambridge. The second thing the committee should be aware of is the vulnerability of the remaining producers.

I will talk a little bit about our views on energy efficiency and regulated industrial standards. The major appliance industry is truly global in scope, we feel, with barriers to trade being continually reduced. As a result, we do not believe any political jurisdiction can effectively implement standards in isolation without substantial cost to its consumers and risk of employment loss.

We believe the record of the federal government in the United States should be carefully reviewed when considering standards. Federal officials eventually pre-empted the ability of any of the individual states to set independent energy-efficiency standards. This followed a long and exhaustive public debate involving competing interest groups, each of whom eventually had many, if not most, of their goals met. Action by the province of Ontario to implement standards in a narrow jurisdiction, in isolation—I emphasize "in isolation"—could have dire economic consequences.

With regard to the effectiveness of regulations, we believe regulations are difficult and costly to enforce. Canada currently has legislated requirements for energy labelling on appliances. The province of Ontario, among others, has regulations regarding a separate labelling program. Currently we do not believe either of these programs is effectively policed. We have seen instances where imported

product is being sold in Canada and Ontario without the application of all these labels. Canadian and Ontario producers are incurring cost penalties in conforming to the regulations while we believe importers are getting a free ride. We are aware the federal government has energy-labelling legislation under review. We are hopeful that any new regulations will be subject to serious public debate, including detailed analyses of the policing costs before implementation.

With regard to Bill 118, as we understand it the Ontario government seeks to have a more forceful intervention into Ontario Hydro's operating programs. Our views are as follows.

With regard to board membership, we recommend the board be cut from 17 to 12 through attrition, rather than that the board be increased from 17 to 22. In our view, it is inconceivable that an additional five board members could have a substantial impact on the operation of such a large corporation; the sole net result leading to higher costs.

Capitalizing soft costs: Costs associated with physical assets of a business are appropriate for capitalization. On the other hand, we do not believe soft costs such as energy conservation manuals, training programs and engineering studies should be subject to capitalization, as their expected life is indeterminate with today's rapid pace. To capitalize these costs, we believe, is misleading to the taxpayers of the province.

With regard to policy costs, we are of the view that any costs associated with the implementation of policy directives from any political structure should be borne by, and be clearly traceable to, that political structure. Any policy initiatives imposed by the government of the province must be funded by the government and traceable and accountable to the taxpayers. With the exception of capital investment, we believe all government initiatives should be funded from current revenues. Failure to do so in the past has contributed substantially to the difficult situation faced by Canadian taxpayers and future generations. Please do not borrow from the future.

In conclusion, we believe the tasks faced by the government of Ontario are formidable. We believe any action taken by that jurisdiction in isolation from the economic realities occurring elsewhere in the global economy will have a negative impact for employment in Ontario and for the taxpayers of the province. Please work in support of national and international standards regarding energy efficiency. Please ensure that the electric generating facilities of this province are responsive to the needs of their consumers, as a first priority. Please ensure that any regulatory initiatives by our government are only considered after opportunity for public hearings from all interest groups. Thank you.

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**The Chair:** Thank you, sir. There are going to be questions. You speak of yourself as an appliance manufacturer. Who are the other Canadian or Ontario appliance manufacturers, not necessarily by name, but what type of products are they manufacturing, to flesh out this appliance market?

**Mr Griffin:** The only other Canadian major appliance manufacturer I am aware of is Camco. Camco is located in Hamilton; it is a subsidiary of General Electric.

**The Chair:** What do they manufacture?

**Mr Griffin:** In Hamilton they manufacture refrigerators and, I believe, dishwashers. They have a plant in Montreal which manufactures, I think, refrigerators. I stand corrected on one issue: There is another appliance manufacturer in Canada and it is located in L'Assomption, Quebec. They are the remaining branch plant of WCI in Canada. The other facility, which was located in Cambridge, closed in November of last year.

**The Chair:** If I want to buy a gas stove, a kitchen range, in Canada, I cannot buy a Canadian-made gas stove. Is that accurate?

**Mr Griffin:** I may not be the best person to ask, but I cannot think of anybody who is manufacturing gas stoves in Canada, not as home appliances. There are people manufacturing wood stoves, gas fireplaces and those types of things who may be located in Canada, but as for major white-good appliances, I am not aware of anybody who is doing that.

**The Chair:** Was there a manufacturing industry that was broader than what exists now? You referred to recent shutdowns.

**Mr Griffin:** I have not been with the industry since its inception in Canada, but the way I hear the story is there were 37 different manufacturers of appliances in Canada. Some of them were subsidiaries of multinational companies, but many were privately held, owner-operated Canadian companies. Except for W. C. Wood Company, all are gone.

**Mr McGuinty:** Those 37 companies you just referred to, why did they go?

**Mr Griffin:** I guess the best answer is to compare our industry to the automotive industry. If you had bought a refrigerator in 1960, you would have likely paid \$300 to \$400. If you had bought a car in 1960, you might have paid \$2,000 or \$3,000; I do not know. These days when you buy a car for \$28,000, you still can buy your refrigerator for \$500 or \$600. The industry has gone through a strongly competitive downsizing that is cost- and quality-driven. The companies which could not maintain the pace either were absorbed into other organizations or fell by the wayside.

Within our own company we have three or four major areas that we focus on. These are productivity, cost improvement and quality improvement. We also were lucky enough to develop a strategy of bringing to market energy-efficient appliances. We developed a strategy about 1975 and have been moving with that strategy since then. That strategy has allowed us to become the second-largest manufacturer of freezers in Northern America.

The committee may be aware of the regulatory environment in the United States where energy consumption maxima have been mandated by the federal government. The process was initiated in 1987. The standards were written effective 1990, and the standards have been updated for implementation in 1993. Canada, through CSA and the

C-300 standards, which have been adopted, is moving into lockstep with these standards.

Many of the companies now are moving to improve their products to be what I call Department of Energy 1993 compliant. We are already there with many of our products and it is because of our commitment to energy efficiency. So, to answer your question, I am not sure our strategy in 1975 was to recognize that energy efficiency would some day become the crunch, but it certainly has been the strategy that has allowed us to grow.

**Mr McGuinty:** What percentage of your overhead is constituted by your hydro rates?

**Mr Griffin:** I do not believe I could give you an accurate answer.

**Mr McGuinty:** Can you tell us how those rates might compare with your Ohio-based operation?

**Mr Griffin:** Again, I could only give you my impressions. I do not think they would be accurate. If I had to guess, I would guess they would be roughly equivalent. That may be totally misleading.

**Mr McGuinty:** You now have an American- and a Canadian-based operation.

**Mr Griffin:** Yes, we do.

**Mr McGuinty:** What factors would lead you to pull out of either to go to the other? Do hydro rates factor into that?

**Mr Griffin:** In effect, hydro rates have not been put forth as a rationale for moving to one locale or the other. The problems associated with rezoning, those types of things, the length of time it takes to do some of those things, have been put forth as good rationales for moving from one jurisdiction to another. The flexibility of doing business in the United States has been one of the issues.

There are aspects of our costs that would be lower than what we have here. I will give you a good example. We use CFCs in manufacturing our products. These, you may have heard about, are suggested as ozone depleters. We spent quite a bit of time last year working with the Ministry of the Environment to have some regulations that were in effect going to put us out of business revised so that they were more rational and more in keeping with what we believed the province originally wanted to do when the regulations were written. This allowed us to continue operation here in Guelph.

I do not know if I am answering your question, but right now what I do know is that the commitment of the company to this location is very strong. If we made our decision solely on economics, you could make a good case for the fact that an organization like ours or some other manufacturing company should move. We have not done that because it is not only an economic situation: There is a big commitment to our workforce; there is a big commitment to the community. I think that is something you see in a privately owned company that you do not see in a multinational subsidiary. I do not believe the multinational subsidiaries necessarily have any commitment to the community within which they are operating in a Canadian branch plant.

**Mr McGuinty:** I wonder if you might consider this for me. What if this were the case? You owned this company outright and lived in London, England. You had no commitment either to the States or to Canada. You were running both operations. You had no connection with the workforce. What I am trying to understand is what would govern your decision as to whether you would stay. In other words, if it is reduced to purely economics, it would seem to me that if I were elsewhere and had no attachment, if I am after dollars, then I will be motivated solely by dollars. Could you comment on that?

**Mr Griffin:** Yes. You have structured the question such that there is only one answer. If it were based solely on economics and maximizing return on investment and return on capital employed—recognizing that I am the manager of engineering and do not get a big peek at the balance sheet—my view is that we would move.

**Mr McGuinty:** To where?

**Mr Griffin:** Likely to our United States site.

**Mr McGuinty:** Thank you.

**The Chair:** I was sure you were going to say, "But what if Mexico were in the calculation or perhaps South Korea?"

**Mr McGuinty:** No, I was not thinking of that, Mr Chair.

**The Chair:** Oh, I am sorry. I was off on another train of thought, I guess.

**Mr Griffin:** The other thing you have got to recognize with appliances is that, because we have kept the cost down, it is high cube for shipping and low value. A car may be as big as this table or a little bit bigger than this table, but it costs \$20,000. The shipping costs from Japan are low in proportion to the retail costs, whereas with a freezer that arrives at retail at maybe \$200, the shipping costs from overseas would be a big component of that cost.

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**Mr Cleary:** Thank you for your presentation. This is something that has been on my mind ever since these hearings started and I think you are the right gentleman to answer it. You had talked about your cost-efficient units? Let's say I had a freezer that was 20 or 25 years old. How much of a cost saving would there be to me if I were to buy one of your new units?

**Mr Griffin:** The cost saving depends on the cost of energy. With a low cost of energy there is a low return on replacing your appliance with something that is more energy-efficient. With a high cost of energy there is a higher return or a higher driving force behind changing.

**Mr Cleary:** Maybe percentage, then.

**Mr Griffin:** An appliance that is 25 years old probably has no effective insulation in it at all and probably the gasket is not maintaining any insulating value or seal. As a result, something that maybe would have measured at 200 kilowatt-hours per month when it was first manufactured might now be measuring at 300 kilowatt-hours per month. Some companies make a replacement product that would be a two-door, top-mount, frost-free refrigerator similar to what most people have in their homes. At 18 cubic feet you would probably be looking these days at 90 kilowatt-hours

per month or something in that neighbourhood. We manufacture a product that is almost an 18 cubic foot; it is a single-door, all refrigerator that we label at 36 kilowatt-hours per month, and it measures out usually anywhere between zero and 10% below that. So if you want to take those, it could be a 10-fold order of magnitude reduction in energy consumption.

**Mr Arnott:** Thank you, Mr Griffin, for coming in. I notice you have expanded your remarks beyond just Bill 118 to a discussion about a concern your company has about industry standards and regulations. I am just wondering if you are concerned about what the government may be doing in that respect. Is that why you have expanded to include that?

**Mr Griffin:** Yes. We are concerned about what the government may be doing in that regard because the experience of the appliance industry—I can point to the United States experience; it is kind of interesting. About 1985, the United States government decided it wanted to implement some energy-efficiency standards. The Association of Home Appliance Manufacturers of America, of which we are a member, got the membership together and, as an industry association, made representation to the United States government to not have any standards. After some long discussions, and I guess President Reagan was involved in this somehow, the federal government decided not to have standards. The California government decided it would implement standards and adopted some fairly severe standards and challenged the industry for 1987. At the same time, Massachusetts implemented different standards and Rhode Island was headed towards some other standards and so on and so forth. The industry quickly saw that the best thing to do was to develop a federal standard.

I guess what we have learned out of all of this is that, as an industry, we have to be, we should be, part of the formulation process of these standards and regulations and not arriving after they are set and arguing pro or con. It is much better to be involved in the process than to be presented with a fait accompli and have to argue pro or con. Another example of that was the CFC regulations that we were recently dealing with here in Ontario. We had input, yet when the regulations came forward they were couched in terms that made it impossible for us to comply.

**Mr Arnott:** I understand that and I commend you for coming forward in that respect. Are you a manager of product engineering?

**Mr Griffin:** Yes.

**Mr Arnott:** I assume that enhancing the energy efficiency of your product on an ongoing basis is one of your highest priorities as a company.

**Mr Griffin:** Yes. Right now we do all our own research and development. We are, as I said, a family-held, private business. I have a department of approximately 60 people and a good portion of that group is devoted to energy-efficiency improvements and maintaining or doing the quality assurance associated with making sure the products we produce meet what we say they meet. Depending on the production line and depending on the rate, we may

test as many as 2% to 3% of our products to make sure they meet their labels. We take this extremely seriously.

**Mr Jordan:** I thank you also for your presentation and your interest in Bill 118. On the second-last page you state, "Any policy initiatives imposed by the government of the province of Ontario must be funded by the province of Ontario and accountable to the taxpayers." Relative to the policy directives, would you enlarge on that?

**Mr Griffin:** When we looked at the legislation, what we read or thought we read was a channel for the government to make policy directives to Ontario Hydro's board which were not optional and which could result in higher costs. While we would not dispute, necessarily, the government's right to set policy initiatives and to give directives to crown corporations and so on and so forth, we believe it is in everybody's best interest to make sure the taxpayers understand where the directives and where the initiatives are coming from. An Ontario Hydro initiative, or what would be perceived as an Ontario Hydro initiative, that turns out to increase costs markedly, that came from the government, should be traceable, in our view, to the government, and that is all we are saying.

**Mr Jordan:** What I am to understand, then, is that these policy directives that are not directly related to the cost of power, being the generation, transmission and distribution of the product, even though the government feels it is a good policy to have in effect, should be taken out of the general fund through one of the other ministries: Ministry of Energy or the Ministry of Industry, Trade and Technology, but not let it affect the energy product you are going to use to stay in business.

1640

**Mr Griffin:** I am not sure how to answer your question. What we are trying to say is that the funds—

**Mr Jordan:** You said it should be traceable.

**Mr Griffin:** It should be traceable. Let us say there is a policy initiative and the ratepayers, or Ontario Hydro's customers, see an increase of so on and so forth on their bills. We believe the people who pay those bills should be able to trace those cost increases back to the individuals who put forth the policy initiatives. It is just straight accountability.

We are not exactly sure where the funds should come from. I have a really good concept of where the money we have to operate our business comes from. I am not sure I have as good a concept of where the money government has to run its operations comes from, so I do not want to comment on that. All I am saying is I believe it should be traceable for those people who are eventually footing the bills.

**Mr Jordan:** Thank you very much.

**Mr Fletcher:** Thanks for coming in. I am going to get to the cost. I know W. C. Woods is on the leading edge as far as technology and energy conservation is concerned. I have been in the plant a number of times. You say, "Let's trace the cost." If there are increases in hydro, we can trace them to what has been going on in the past and that comes up to things such as Darlington. Let me just quote a few figures.

Delays in Darlington totalled 19 unit-months and the cost of one month's delay is \$25 million for each monthly

unit. Also, the total cost of Darlington is going to be \$13.5 billion. These are some of the things that are driving the costs and we can trace them back to the follies of previous governments.

Also, as far as the CFC problem is concerned, I know you had a fight with the Ministry of the Environment. These CFC regulations came in under the previous government and they were carried on, and we were put in the position of trying to rationalize what was going on. I think we did a pretty good job; it took a little twisting of arms here and there, but it worked out.

You say our regulations should be made on a more competitive basis or equal to what is going on in the global situation. Is that referring more to what is going on in the North American market or are we saying global? Because I know what is going on in Germany right now. You look at some of their environmental laws and you would not even sit still for some of them.

**Mr Griffin:** What we would support first and foremost is a non-checkerboard approach in North America, where British Columbia has one standard that we have to meet and New York state has another standard.

With the energy-labelling program, when we manufacture products we have to know whether this product is destined for Canada or the United States as it comes off the production line because the labels are different. That is why we think some of the other companies which are operating in the United States do not recognize this, so products are being sold in Canada with the United States energy guide label on them rather than the Canadian EnerGuide label.

We go to great lengths to make sure we understand where this product is going, what label should be on it and so on and so forth. The labelling is a big enough nightmare without having different standards for different jurisdictions, which would have a refrigerator of this size have an energy consumption maximum of 100 kilowatt-hours and in another jurisdiction 80 kilowatt-hours per month, because that would prompt a different compressor selection, another model skew. Those things become nightmares to track.

**Mr Fletcher:** So as far as Canada is concerned, we should try at least to be uniform across the country. It acts as a trade barrier, is that it?

**Mr Griffin:** We believe that to have different standards in effect constitutes a non-tariff trade barrier, even across the United States-Canadian border.

**Mr Fletcher:** I agree with you as far as Canada is concerned. I think that is why the message comes in that the levels of government have to get together and work things out. I agree with that fully.

**Mr Waters:** I have a question. I will try to get through it as fast as possible. I am going to read you a bit of information I have received from the Financial Times, dated January 27. I take it to be true; after all, I would imagine it is quite a reputable paper. It says:

"Energy Probe predicts that by the year 2000, Ontario rates will be 27% higher than the US, on average, for hydro....While Hydro accepts Energy Probe's comparison with the current power cost, it maintains that the

organization's forecast figures are wrong, and insists that the provincial rates will always remain competitive with those in the US. That seems to be more a hope than a likelihood, especially since the given projection of Ontario Hydro's power rates may double by the end of this decade. The major reasons for this," it goes on to say, "is poorly conceived, poorly engineered, and poorly constructed new plants, combined with erratic demand forecasts, bad planning, and decrepit older plants that have become increasingly more expensive to keep alive."

As a businessman, if you were running a business in that kind of condition, would you not think this would be a good time to step back, have a look at your business, look at the efficiency and make sure this thing is running cost-efficiently, iron the bugs out—you know you have a definite problem with the nuke. Would you not step back and go into energy conservation and that type of thing while you work this through and maybe even look at alternative supplies?

**Mr Griffin:** There is no doubt, given that scenario, that energy conservation has to be a critical aspect of the strategy, not only in Ontario and Canada, but in North America.

With regard to the engineering of the various power plants and so on, it is difficult to say. In a previous career I was in the power industry. I have a slightly different view with regard to cost overruns. I suspect that some of the cost overruns on some of these projects are associated with the length of time it takes to get them approved and the ongoing reopening of closed and approved studies.

With regard to the efficiency of an operation, I agree with you wholeheartedly. Every organization, whether a service organization, manufacturing company or government, should be working to reduce and eliminate waste and unnecessary activities. If you do not have to consume a kilowatt you do not have to build the capability to generate that kilowatt.

In the same vein and using the same logic, that is where our comment with regard to the board of directors comes from. We believe that excess people—additional personnel, going from 17 to 22—is not in keeping with improving productivity. Maybe that is a simplistic view, but if you take output and divide it by a head count, going from 17 to 22 seems counterproductive.

**Mr Waters:** Given the fact that Hydro's original 25-year forecast was more and more megaprojects, nuke projects; no time given to step back and repair the problems, just build, build, build; no time given to look at efficiency, conservation or anything, I see this whole process, if nothing else, has at least Hydro's attention to the point where it is looking at alternatives to spending more and more money and basically the hell with the costs. I would like your opinion on that statement.

**Mr Griffin:** Again, in a previous career, I was in the power industry. I was with a company that manufactured power stations and manufactured some nuclear equipment. I was involved in the nuclear side and the fossil-fired side. I have dealt with a lot of utilities. In my view, Ontario Hydro is a pretty good utility. When I look at what I know of its record and compare it with what I am aware is happening in other jurisdictions, I believe it has a good record

with regard to safety and operation of the plants. It is not without problems, but comparatively speaking I believe they operate fairly safe plants. With regard to their lack of planning or poor planning in the past, hindsight is 20-20. It is really difficult to comment on whether they could have been better planners. I suppose they could have been, but then again, so could we all. Thank you.

**The Chair:** With that, sir, thank you very much for a most interesting commentary on this whole exercise. We appreciate your coming very much and look forward to your ongoing contact with critics for the opposition parties,

your own MPP, any one of us or any members of the Legislative Assembly.

**Mr Griffin:** Thank you very much.

**The Chair:** That completes the presentations for this afternoon. We will be coming back at 7 o'clock this evening. Of course, all of you are welcome to return. There will be fresh coffee and perhaps some renewed supplies of apple juice. In the meantime, we recess until 7 pm.

The committee recessed at 1652.

## EVENING SITTING

The committee resumed at 1900.

## BRUCE NUCLEAR AWARENESS

**The Chair:** The first presentation is by Bruce Nuclear Awareness. Tell us who you are. We have 20 minutes. We have the written submission from you. We want to save at least 10 minutes for questions and exchanges.

**Mr Peabody:** My name is Chris Peabody. I am the chair of Bruce Nuclear Awareness, a group based in Walkerton, Ontario, in the Bruce riding. Bruce Nuclear Awareness is affiliated with Nuclear Awareness Project, based in Durham region, and we are part of the Coalition of Environmental Groups for a Sustainable Energy Future, which is intervening in the Ontario Hydro demand-supply plan.

Bruce Nuclear Awareness is participating in these hearings tonight because the members of Bruce Nuclear Awareness feel that the amendments contained in Bill 118 are essential to the future of Ontario Hydro. Cost overruns, mammoth debt, accountability and a mangled demand-supply plan point to the need for legislation that will reform Ontario Hydro.

These issues are addressed by the two major themes of Bill 118. One theme is the accountability of Ontario Hydro to the government and the other deals with demand management through fuel switching. One group of amendments proposes to bring democratic control to an institution that has been called a monster and the other seeks to redress the promotion of electric heating for the last 30 years.

Cost overruns in the order of billions of dollars at Darlington make it essential that the accountability changes to the Power Corporation Act be implemented. The \$13.5-billion pricetag for Darlington is unacceptable. Through a myopic megaproject mentality, Hydro planners have amassed a debt of over \$30 billion. This must never happen again. Hydro's huge debt acts as a yoke and an albatross around the neck of the province, dragging money away from hospitals and schools.

**Accountability:** The amendments in Bill 118 regarding the status of the chairperson, board membership and policy directives increase Ontario Hydro's accountability. These changes are long overdue. They are positive steps towards putting controls on a monolith.

**Fuel switching:** Members of Bruce Nuclear Awareness feel that the fuel-switching provisions found in Bill 118 are also very important. Fuel switching will provide a wide range of benefits. These include reduced carbon dioxide and sulphur dioxide emissions, less demand for new fossil and nuclear generating stations and cheaper heating costs.

On January 15, 1992, Ontario Hydro announced major revisions to its demand-supply plan. The revisions dropped plans to build new nuclear reactors in the near future. In light of this announcement, it is essential that the fuel-switching amendments found in Bill 118 be approved.

The Coalition of Environmental Groups for a Sustainable Energy Future estimates that 4,676 megawatts of electricity can be saved by switching households from electric heating to natural gas or oil where available. By contrast,

the Darlington nuclear generating station will generate 3,524 megawatts if completed.

The Passmore report on fuel switching brings into stark clarity the potential for cost savings. Since 1975 electrically heated households were billed a total of \$8.94 billion. If these households had used natural gas, \$3.9 billion would have been saved. In the past 16 years consumers have spent 77% more for heating services than necessary. It is ironic that many of these home owners live in rental properties where landlords install the cheapest form of heating to install, baseboard electric. These are the very people who can least afford to pay 77% more for heating costs.

New home buyers are given a false impression of the costs of the installation of heating. The installation costs of baseboard electric heating appear to be \$3,000 cheaper than natural gas. This cost is borne by the consumer. Closer inspection reveals that electric heating actually costs much more to install, as much of the cost is assumed by Ontario Hydro. In 1990 former Hydro president Robert Franklin announced that the average electrically heated home required \$50,000 in new generating capacity. We can no longer afford electric heating.

Electric heating also takes its toll on the environment. Passmore Associates reports that large reductions in carbon dioxide, sulphur dioxide and nitrogen oxide will occur if Ontarians switch from electric heat to natural gas where available or oil in areas without it.

**Public utilities:** A number of utilities have expressed concern about fuel switching raising their rates. A reduction in electricity used due to a fuel-switching program will have a limited impact on retail electricity rates. For example, in the municipality where I come from, Walkerton, our utility purchased \$3.3 million worth of electricity from Ontario Hydro in 1989. All the billing expenses totalled \$350,000. Only 11% of the total expenses of the Walkerton Public Utilities Commission are local. Because the fixed costs are small, reduced sales will not have a large impact. In Walkerton, electricity use would have to decline by about 50% just to equal the impact of Hydro's rate increase of 11.8% in 1982.

**Recommendations:** The members of Bruce Nuclear Awareness recommend that to facilitate fuel switching it is essential that Ontario Hydro pay for the program. In light of the fact that electric heating for new homes costs \$50,000 per household in new generating costs, the members of Bruce Nuclear Awareness recommend to the standing committee on resources development that Ontario Hydro pay 100% of the costs of fuel switching. This is necessary as low installation costs of electric heat deter alternatives such as natural gas.

In summary, the amendments proposed in Bill 118 affecting accountability and fuel switching will provide for substantial changes at Ontario Hydro. These changes are necessary to set the stage for an institution that is both accessible and democratic. The fuel-switching amendments set the stage for a cleaner environment and reduced dependency on both fossil and nuclear fuels.

**The Chair:** I should mention to you, Mr Peabody, that the \$50,000 figure that was cited in the October 1990 speech by Mr Franklin, CEO of Hydro, has been challenged by Mr Jordan, among others. He has a letter from Ontario Hydro, which has been filed as an exhibit, that speaks to the cost being \$7,000 to \$11,200, as compared to \$50,000. A further explanatory notes goes on to indicate—this is what it appears to indicate—that the \$50,000 figure is arrived at based on the cost of nuclear generation solely. Failing to recognize that those 15-kilowatt furnaces—the servicing of that would be based on a mixture of sources.

What we are doing is trying to get clarification on that, because it has been an interesting but rather serious difference in numbers. I am going to ask the clerk to record your organization and your address so that you can be sent whatever information we get, just so everybody is playing fairly, with the same numbers and figures. I say that just as a point of information and out of fairness to everybody involved.

Thank you for a succinct presentation that leaves us a healthy amount of time for comments and questions.

**Mr Arnott:** Mr Peabody, you seem to be quite convinced of your case.

**Mr Peabody:** Yes, I am.

**Mr Arnott:** One of the presenters who came forward this afternoon, Andrea Mitchell, chairman of Cambridge and North Dumfries Hydro, indicated that there are approximately 600,000 all-electric homes in the province and that for Hydro to meet its objectives for demand management and the demand-supply plan, it would have to convert 400,000 of those 600,000 homes away from electricity. That would save 3,800 megawatts. You say that the affiliated organization you are with, the coalition of environmental groups, has suggested that 4,676 megawatts could be saved if fuel switching was, I guess, in every single electric house in the province. Would that be the case? Where was that number from?

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**Mr Peabody:** I think some figures Ontario Hydro has presented of houses it plans to fuel-switch are restricted to bungalows as opposed to two-storey houses. I think the figure the Nuclear Awareness Project came up with was if the two-storey houses that were electrically heated were included also.

**Mr Arnott:** Okay. How far would you go or urge the government to go to encourage fuel switching? Beyond 100%? I am asking that question because we have heard from a number of presenters that there are people who may not want to fuel-switch. Would you make it mandatory, for example, that new homes not have electric heat, that they have some other source, or make it mandatory that all households switch whether they want to or not, in order to meet the objectives of Ontario Hydro's demand-supply plan?

**Mr Peabody:** I think the building code should be changed so that all new houses do not have electric heat.

**Mr Arnott:** Entirely prohibit it as an option?

**The Chair:** That is what he is suggesting.

**Mr Peabody:** Yes, I said that. I feel that existing home owners should have the option of whether or not to switch over, but based on the fact that natural gas is much cheaper than electricity, if there was a 100% subsidy there probably would not be many holding back.

**Mr Arnott:** Do you not think it is a little authoritarian of a government to take that approach, to say: "You don't have that option. You can't heat with electricity even if you want to"?

**Mr Peabody:** No. I think that in Ontario we have established a precedent that government will intervene in many areas. We intervene in the areas of education and health care. We already set that standard with Ontario Hydro in the 1920s with energy. Ontario Hydro should continue to set that precedent with new initiatives, such as fuel switching.

**Mr Jordan:** Mr Peabody, you have based a lot of your fuel switching on this \$50,000 per electrically heated home, so I would like you to get the new information that was given to the committee and rework your calculations.

I would also like to ask you, in light of the statistics provided to us on the number of all-electric homes, to give some serious consideration to the kilowatts and megawatts that you are going to depend on. I am a new industry coming in and you are telling me that you are going to give me power. I ask you where you are going to get it and you tell me it is going to be based on these different modes of conservation. I have to have some certainty of supply and some certainty of cost. Otherwise I will go somewhere else. So when you are putting these out, I just ask you when you go to this much work and you are that committed to the cause, that we be careful that we are in fact getting our figures, because it is serious.

**Mr Peabody:** There are still 20 nuclear reactors that supply the base load in Ontario. This report by Passmore Associates does say that perhaps Mr Franklin overstated the case. However, they did some number crunching and found that perhaps \$2,800 per kilowatt was a more accurate figure. So 15 times \$2,800 is still \$35,000, which still leaves a lot of leeway for 100% incentives for fuel switching.

**Mr Waters:** Thank you for coming in, Mr Peabody. You brought up an interesting thing on page 2, under "Public Utilities." I have heard from PUCs that the sky is falling and that if they do not grow bigger and bigger and keep Hydro growing, the cost to the individual in our communities will be enormous and that the only way they can keep the cost down is by spending more money. Yet you turn around and say that there would have to be a decline of 50% or something like this. Could you elaborate on how you came up with that? The other perception or the other side of the argument is interesting. I figure that a saving is a saving. The consumer really does not care.

**Mr Peabody:** That information was supplied to me by a researcher for Nuclear Awareness Project. If the committee would like a detailed answer on that question from me, I can provide it in writing at a later time.

I spoke with the mayor, who is on the utilities commission, and sent him a letter, and he said he was not opposed to Bill 118. I think perhaps the utilities should get away

from the growth mindset and start considering themselves to be managers of electricity rather than simply suppliers.

**Mr Waters:** I will turn it over to one of my cohorts.

**Mr Klopp:** You talk here in your recommendations about 100% of the costs of fuel switching. I can see your point, but there are others who have said, "Well, somebody has already changed," in the light of trying to be fair with this bill. We have not really said any numbers, what we would try to recommend. One of them is that we help, and it will probably help all of us out because somebody has to pay for it one way or another, with loans to people, recognizing that those on low incomes know it is a cost saving. But to go and get a loan to put in that new furnace or whatever is just not within their reach. Would you be opposed to that kind of idea?

**Mr Peabody:** Loans as opposed to—

**Mr Klopp:** Outright grants.

**Mr Peabody:** I know Mr Jordan is opposed to this idea, but I think the Passmore report establishes what new generating costs do cost. Ontario Hydro and consumers who have already switched to natural gas are still saving money by reducing the demand for new nuclear power plants and new fossil fuel plants. With Darlington it is \$13.5 billion and it is still is not finished. Unit 2 is not working and they do not know why. I do not think we can afford to build another new nuclear power plant. The amount of engineering that goes into a nuclear power plant I think is far too complex. The problems they have had at Pickering and Bruce A—units 1 and 2 have been shut down for the last year—simply point to the fact that nuclear power is not dependable as an option either.

**Mr McGuinty:** Mr Peabody, you have raised something that which has been raised by a number of people in support of Bill 118, that this bill is somehow going to increase Hydro's accountability to the government. I wonder if you might expand on that a bit for me. I do not really see how it does that.

**Mr Peabody:** The number of members on the board being increased to 22 from 17 I think is significant, because it will allow for broader ranges of interest to be represented on the board. With regard to the changes in the chair, I think that was important since the board of directors appointed Alan Holt as president without consulting the government.

**Mr McGuinty:** How does that help the government, though, to lend direction to Hydro apart from this business of policy directives? I do not see that. The board does not report to members of the government.

From my point of view, what we are seeing here is that this government is going to be able to issue policy directives. In the old days we called them policy statements. I guess "directive" connotes something slightly different from "statement." One of the things that concerns me is that when the government does that, the Hydro directors, those 22 you were telling me was a good idea, will be absolved from liability as long as they go along with what the government tells them. When the government tells them to do something, that will not be subject to debate in the House. It will just be a directive.

I want you to imagine this possibility. The government changes at some time in the future and the directive that is issued says, "You are going to build more nuclear generating stations." The directors in their heart of hearts may feel this is not the right thing to do, but they are going to have to go along with it because there is this thing in the bill that says, "as long as you do as we in the government say, you are going to stay out of hot water." I cannot see how that is going to be a good thing for you and your cause. I cannot see how it is going to be a good thing for ratepayers generally.

**Mr Peabody:** I do not agree with that statement at all, Mr McGuinty. I think the amendments to the bill put the policy directives on the table and out in the open. It will not go back to the system where we had Bill Davis making secret deals with Stephen Roman over how much uranium Ontario Hydro is going to buy.

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**Mr McGuinty:** You understand, though, that they are not subject to debate, or maybe you do not understand that. The government will issue a directive. It will go through an order in council. It may be made public. We are not sure yet. That is certainly not an element of the bill. It will not be subject to debate.

**Mr Peabody:** As I said, I am not familiar with that. It will be out in the open. It will not be a return to the system with the Conservatives, where there were secret deals made.

**The Chair:** Thank you very much for your participation here, for your interest and for your group's eagerness to share its opinion and expertise in these proceedings. You are welcome to stay, of course. Transcripts of your participation here are available to you or anybody else who is here this evening, as well as transcripts of the whole course of presentations and interrogatories by the committee. Let your MPP know. They are available to you free of charge. It is probably going to be one of the few things you can get without charge from this government this year.

#### GUELPH HYDRO

**The Chair:** The next group is Guelph Hydro. Good evening. Please be seated and let us know who you are. We have your written presentation, which will become part of the record by virtue of being an exhibit. Everybody is going to listen carefully to what you have to say.

**Mrs Robinson:** Mr Chairman, members of the committee, I am pleased to welcome you to Guelph. My name is Joyce Robinson. I am chairperson of Guelph Hydro and I wish to speak to you tonight on the amendments proposed to the Power Corporation Act under Bill 118. I am accompanied by Guelph Hydro's general manager, Mr Jim MacKenzie.

I am sure the committee will have heard and received presentations from a number of municipal electric utilities concerned with various aspects of Bill 118. The bill, as originally introduced to the Legislature on June 5, 1991, would significantly alter the relationship between Ontario Hydro and the government and have major impacts on electricity users in the province.

Policy directives: There are a number of areas of the bill that are of interest to municipal utilities, such as increasing

the size of the board and the unusual retroactivity provisions. However, the matters that concern us the most relate to the provisions on policy directives and fuel substitution.

Section 2 of Bill 118 repeals section 9a of the current act and would permit the government, through the Minister of Energy, to issue binding policy directives to Ontario Hydro. Further, section 6 of the bill would add a new section to the act that changes Ontario Hydro's mandate to include anything the government sets out in a policy directive.

This suggests to us that the government could change Ontario Hydro's mandate by policy directive. In our view, Ontario Hydro should only be able to exercise powers and undertake duties that are authorized by legislation. However, the cumulative impact of sections 2 and 6 of this bill would enable a government to change Ontario Hydro's mandate by decree.

In a letter on November 14, 1991, the Minister of Energy indicated to me that the government will introduce amendments to the bill that will limit the directive powers to matters related to the powers and duties of Ontario Hydro as set out in the current act. While we accept that the minister indicates he will address our concerns, we have not yet seen the amendments he proposes. I am bringing our concerns to your attention so that you, the committee studying the bill, will ensure that our concerns in this area are addressed.

Section 7 of Bill 118 amends section 75 of the current act, which deals with what Ontario Hydro can include in the cost of power to municipal electric utilities. The amendment adds "the cost of complying with a policy directive issued under subsection 9a(1)." This means simply that the cost of a government policy directive will be borne in the cost of power paid by all municipal electric consumers across the province.

The cumulative impact of sections 2, 6 and 7 of Bill 118 significantly impact on the long-standing power-at-cost principle. Bill 118, in its original form, could result in the government using electricity rates paid by municipal consumers as a vehicle for regional development assistance or other activity possibly unrelated to electricity.

We recognize the importance and the need for government to act in promoting the economic development and wellbeing of regions throughout this province. However, we suggest this is best accomplished through government revenues, not electricity rates. Electricity consumers should not be subject to taxes hidden within their rates.

A recent illustration of this is the contribution of \$65 million to the northern heritage fund. This fund and this contribution are not in any way related to the supply of electricity, yet our customers are paying for this through their rates. The balance of the \$250-million assistance package is directed at the Elliot Lake and North Shore communities and is also paid for by electricity users across the province.

Our commission understands the need to assist communities such as Elliot Lake. Assistance during difficult times is an appropriate action for the government to take. However, we feel it should be emphasized that government is the appropriate authority to manage the assistance, and government revenues, not electricity rates, are the

appropriate vehicle. We considered Bill 118 with the Elliot Lake assistance in mind and it demonstrated to us that the policy directive power proposed is inappropriate and needs to be restricted.

**Fuel substitution:** The municipal electric utilities in Ontario are strong supporters of energy conservation and are very active in energy management programs. Many utilities, including Guelph Hydro, are working cooperatively with Ontario Hydro in a range of energy management projects.

Guelph Hydro understands that electricity demand reduction, including activities such as fuel substitution, is a key to ensuring a long-term, reliable electricity supply. However, we are concerned that subsidizing fuel switching ignores market realities and imposes an unnecessary burden on electricity customers who may not have access to alternative fuels. Customers who do not have the option to switch will be subsidizing, through their electricity rates, those consumers who are able to switch. This is unfair. Currently other fuels, such as natural gas, are cheaper than electricity and the cost differential alone can make it a viable option for consumers to switch from electric heat.

The government has clearly indicated that it wishes to proceed with the section of the bill providing subsidies for fuel switching. In fact, in Update 1992, the update to the demand-supply plan, issued by Ontario Hydro two weeks ago, it would appear that fuel switching is an accepted fact. The minister, however, has also indicated that he expects Ontario Hydro to consult closely with municipal electric utilities, among others, to develop appropriate guidelines. We appreciate that commitment to meaningful consultation.

Our provincial association, the Municipal Electric Association, has established a task force to study fuel switching. We suggest that legislation not be passed until this task force has completed its study and has had an opportunity to discuss the results with Ontario Hydro and other interested groups.

The minister has committed to a process of full consultation. We would suggest this commitment be reflected in the legislation.

We are also concerned that the promotion of fuel switching to natural gas is only a short-term reaction to the electric capacity crunch that we have to address. In our view, it would be more appropriate to consider the long term. Ontario Hydro's demand-supply plan places an increased emphasis on natural gas as a source fuel for generation by combustion turbine units operated by Ontario Hydro or generators.

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At the same time, the government is promoting increased use of natural gas for space heating, but are we guaranteed a supply of natural gas to meet our future needs? Natural gas is a non-renewable resource. Our free trade agreement with the United States commits Canada to US access to gas reserves. Has the government considered the long-term viability of gas supply?

We recommend that the government develop a long-term view of this issue through the Ontario Energy Board hearings on integrated resource planning for Ontario natural gas utilities. The IRP hearings are expected to get under way in the spring of this year. You will recall that not many years

ago the government was promoting off-oil programs. We suggest the government develop an overall energy strategy or policy that would address issues such as long-term supply and fuel switching. A strategy should be developed that would address all forms of energy and not simply focus on one area, which Bill 118 does.

This concludes Guelph Hydro's comments to the committee on Bill 118. We appreciate the committee's consideration of this presentation and are prepared to respond to any questions.

**The Chair:** Thank you, Mrs Robinson. I should explain to you and other people here that this is a three-party committee which is representative of the Legislative Assembly. With us is Dalton McGuinty, the Energy critic for the Liberal Party, the official opposition; Leo Jordan, Energy critic for the Conservative Party, and Bob Huget, MPP for Samia and parliamentary assistant to the Minister of Energy, accompanied, of course, by their colleagues from the three caucuses.

**Mr Klopp:** On the last page, I think it is a very good point that you suggest government develop an energy strategy for all forms of energy, but where in Bill 118 has it said we are not looking at all forms of energy in the changes we are promoting?

**Mrs Robinson:** Mr MacKenzie is going to answer this one.

**Mr MacKenzie:** The bill only addresses fuel switching from electricity. It does not provide a long-term view of the total energy resources this province needs. It focuses simply on removing or reducing electricity use, but does not focus on what you substitute it with, except perhaps for natural gas, which is a non-renewable resource. We feel it would be more appropriate to develop an overall strategy that includes all forms of energy in this province. The province does not have an abundant supply of its own natural gas. We are dependent totally on outside resources.

**Mr Waters:** A couple of quick questions: If you were in business and your supplier was charging you 7 to 10 times the world price for a commodity and you could get out of that deal and save money, would you not take that?

**Mr MacKenzie:** I presume you are referring to the Rio Algom arrangement in Elliot Lake.

**Mr Waters:** I am referring to the Elliot Lake thing. We have been paying for a number of years. We were going to continue paying 7 to 10 times the world price and we bought our way out of the contract as cheaply as we could. Would that not make good business sense, or do you go on paying the price?

**Mr MacKenzie:** It is our understanding from what we have read that Ontario Hydro had an opportunity to remove itself from that contract in 1993 and that there was in fact no real saving of \$1.4 billion. It is money they have not spent; it is not really a saving. With respect to the \$250 million that we referenced, Ontario Hydro could have saved \$250 million for the electricity consumers of this province if it had not been required to provide that to those communities.

**Mr Cleary:** We have heard similar briefs many times in the past two weeks. I just want to ask what part of this bill are you in favour of, if any?

**Mr MacKenzie:** As indicated in Mrs Robinson's presentation, we had an interest in a number of parts of the bill that concern us. I am not in favour of increasing the board of directors, for example, of Ontario Hydro from 17 to 22. I do not think that is necessary. However, if the government feels that is appropriate we will not argue the point. It is not a real issue for municipal utilities. As for the rest, the bill in total is perhaps unnecessary.

**Mr Cleary:** You have already answered my second question. You are satisfied with the makeup of the present board, then.

**Mr MacKenzie:** We think the way the present board, constituted with 17 members, is not inappropriate; that is correct.

**Mr Cleary:** As you know, the government has the right to pass this bill and if it does—I think Mrs Robinson already mentioned they were not in favour of the grants or loans coming out of the Hydro budget. Is that correct?

**Mrs Robinson:** Yes.

**Mr Cleary:** If this bill is passed, would you have any objection to that coming from another ministry, the Ministry of Energy, or do you still think it is unnecessary?

**Mr MacKenzie:** Do you mean grants for fuel switching?

**Mr Cleary:** Yes.

**Mr MacKenzie:** Currently pricing is such that people are able to switch based on market conditions and I know of people who have switched from electric heating to high-efficiency gas furnaces at their own cost. They do not need any other incentives to do that.

**Mr Arnott:** Thank you for your fine presentation. I really enjoyed it. I want to refer to the concerns you express with respect to the part of the bill that refers to policy directives. As I think everyone knows, the present Power Corporation Act has a provision that the government can present policy statements to Ontario Hydro that I assume Hydro has the option to implement if it can, or whatever. Obviously, with this bill the government feels policy statements are not enough and there has to be a provision for policy directives, as you say, by decree, ordering certain action to be taken.

If I assume this bill is going to be passed as is, and if I look down the road a bit, there is a possibility that some day there would be a cynical and manipulative government that has been in power for a while and sees difficulty going into the next election. It decides a year before the election to do something to get a lot of attention. Perhaps it would give a free refrigerator to everyone in the province. Would there be anything in this new bill that would preclude that from happening if the Minister of Energy decided it was the appropriate policy of the province?

**Mrs Robinson:** No, and it makes me think of what happened years ago when they switched from 25 to 60 cycles. That was all done, and actually it would look like something cynical. On the other hand, I understand

refrigerators are one of the worst consumers of energy. As a matter of fact, I gave up my 25-year-old refrigerator about a year ago and I notice quite a difference in my bill. By the way, I have an electrically heated house that was built about 25 years ago and we are thinking about switching to gas. It would be quite a considerable cost to us, but we are certainly planning to look at it seriously because it would save us quite a bit of money.

**Mrs Robinson:** Yes, and I also bought a microwave. I do not use the oven and stove as much. I wrapped the water heater too, and my kids left home.

**Interjection:** That was a substantial saving.

**The Chair:** You have been somewhat provocative, but that is a good thing. You have left the whole committee with something to think about. We appreciate very much your coming.

**Mrs Robinson:** It was very interesting.

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#### WATERLOO NORTH HYDRO

**The Chair:** The next participant is Waterloo North Hydro. Please tell us who you are. We have your submission, which is going to become part of the record by virtue of being an exhibit. We would like to hear what you have to say.

**Mr Clark:** I am Al Clark, general manager and secretary of Waterloo North Hydro and I will be speaking on behalf of our commission this evening. I would like to thank you for this opportunity to express our thoughts on Bill 118. By holding such hearings, it shows that you appreciate there are divergent views on this subject and that you are trying to assess the implications these changes would initiate.

We are of the opinion that Bill 118 would significantly alter the relationship that exists between Ontario Hydro and the government and that it would be detrimental to the electric customers and the people of this province. The parts of the bill of particular concern to our utility are those that would specifically allow the Minister of Energy to issue binding policy directions to Ontario Hydro and to have the costs of such directions included in the cost of power, and also those sections dealing with fuel substitution.

The part of Bill 118 dealing with policy directives is of particular concern, since there is no limit on the scope or direction of such directives. There is serious potential that the government could move away from the principle of power at cost. This was recently demonstrated by the contribution of \$65 million to the northern Ontario heritage fund. A number of utilities have already voiced their objection to this payment and we strongly support those utilities in this matter.

We have no problem with the government granting concessions or giving incentives for the purpose of promoting economic development. However, that should come from tax revenues and not be included as a hidden tax in the price of electricity. We know the Minister of Energy has indicated that changes will be forthcoming that will limit the scope of such policy directives to the current mandate of Ontario Hydro. However, we have not seen these changes. It is our opinion that the sections dealing with

this particular matter in Bill 118 should be completely withdrawn since they are not desirable, nor are they necessary.

The board of directors and the chairman of Ontario Hydro are currently appointed by the government. With the government making these appointments to the board, it already has significant influence and control over the direction Ontario Hydro will take. We appreciate the need for Ontario Hydro to be accountable to government. However, we feel the existing system is adequate.

Bill 118 could result in very serious consequences in that such policy directives could and would likely be subject to the whims of the current government. Every time the government changed, the new Minister of Energy would likely make a series of pronouncements, forcing Hydro to go in this or that direction solely to meet and fulfil an election promise that may not have been fully explored or thought out. It is far more desirable that policy changes be fully explored and considered before they are implemented.

The current system has a certain amount of stability and consistency built into it but also ultimately allows the government to have the final say. Changing this to allow for short-term agendas and swings in government thinking would seriously impact on Ontario Hydro, which must operate with a long-range vision. We believe Ontario Hydro and the people of this province are best served by the implementation of good, well thought out and consistent approaches to supplying power and energy to customers.

It should be noted that allowing the issuing of policy directives is a double-edged sword. A government that is in power today could have its direction seriously altered by the government of tomorrow. The very prospect of this would make it very difficult for the Ontario Hydro board to make good, long-range decisions.

The second major issue in Bill 118 that concerns us is fuel substitution. Including the cost of incentives in the cost of power for fuel substitution is an issue that needs to be very seriously considered before we proceed. While Waterloo North Hydro has always supported Ontario Hydro and the government in its demand-management and energy conservation programs, we are not convinced our electric customers should be assessed for the costs involved.

As you are no doubt aware, the price of electricity is increasing significantly. Including the cost of large-scale incentive programs for fuel substitution will only place additional pressure on retail rates. This is of particular concern to our customers who are not pleased with the prospects of further increases, particularly for those who have no access to alternative energy sources.

Waterloo North Hydro is geographically the largest utility in the province and as such we have a number of rural-type customers where no gas is available and there is no prospect that it will be in the foreseeable future. It would seem only fair to us that if one form of energy, ie electricity, is expensive, the cost of conversion from that source to another should be borne by those who are going to benefit, ie the customer who actually converts and the other energy company.

It is a long-standing principle in our society that market forces are the best mechanisms to determine the availability, price and allocation of products. Tampering with this in a

material way distorts their efficient and effective allocation. To do so otherwise would ultimately prove to be detrimental to our customers and the province.

Before we proceed further with fuel substitution, I feel two things need to happen: first, that the government develop a comprehensive energy policy for this province; second, that the matter of fuel substitution be examined in light of this policy and in conjunction with all interested and affected parties.

That concludes my comments on Bill 118. I would be pleased to answer questions.

**Mr Huget:** I want to go to page 2 where you mention the northern heritage fund. The utility that appeared before you also mentioned Elliot Lake and that scenario. I feel the opinion put forward by municipal electric commissions is that the money that was passed on to Elliot Lake was a misuse of revenues, yet I do not get the same feedback when we look at the several times the world price we paid for uranium. I believe that is a misuse of revenues as well in terms of Ontario Hydro.

In your presentation you say you do not have a problem with the government granting concessions or giving incentives for the purpose of economic development. How does Elliot Lake fit into that picture, in that Elliot Lake was a creature of Ontario Hydro and has existed largely because of the inflated rates we paid for uranium from Elliot Lake? Is that not some kind of incentive, an economic development program, that took place some time ago? Where should that money have come from? Did it not indeed come from Ontario Hydro through rates?

**Mr Clark:** Certainly the money that was paid to the mines in Elliot Lake came from Ontario Hydro. There was probably a mistake made way back when Ontario Hydro got locked into signing those long-term contracts. It was probably shortly after Hydro signed those that the price of uranium started to dip. My personal view is that it should not have happened in the first place. Elliot Lake should probably not have been allowed to have so much of the contract to supply Ontario Hydro.

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**Mr Huget:** In that economic sweetheart deal, if you will, between Rio Algom, Denison Mines and Ontario Hydro, as far as I know the extra costs for that uranium must have been paid for through hydro rates. I do not recall any special section on the Hydro bill saying there was a tax for the extra price we paid for uranium. I believe it was paid through the cost of electricity. Is that not right?

**Mr Clark:** Certainly it would be paid through the cost of electricity. But I also feel that government probably had a significant influence on where Ontario Hydro was to buy uranium. It is my feeling the provincial government said, "If Ontario Hydro is going to build nuclear plants, it is going to buy uranium in Ontario and pay whatever that price happens to be."

**Mr Huget:** I want to briefly touch on the fuel-switching issue and the effects on your utility of fuel switching and the fixed costs of your utility. Could you tell me what percentage of your electric rates to your customers are fixed costs, your transmission and distribution costs?

**Mr Clark:** Approximately 82% of our costs are for power we buy from Ontario Hydro. The rest are our local costs. How we split that between fixed costs—labour, I would guess, is a small part of that because a fair bit of that labour gets capitalized in terms of the distribution system and then charged out to the customers over a period of time. Probably the actual operating costs for issuing the bills, meter reading, maintaining the system, are in the range of 7% or 8% of the cost of power to our customers. The difference between that and the 18% that is our costs is probably the cost of the fixed assets we have to provide.

**Mr Fletcher:** Imasco makes money off its cigarettes and it moves it into another part of its operation. That is not wrong in private industry. What I am getting at is that business in government, whatever business—whether it be Ontario Hydro—makes money from its product. Why can it not shift some of that money into another section of the government? Is that wrong compared to private industry doing that? I am wondering why there is such a problem with moving some of the revenues we get from Hydro into other areas.

**Mr Clark:** Yes, I guess if the government chooses to tax Ontario Hydro, that is its choice and it can do it. I believe it does that now through water rental rates and the debt guarantee. I believe that is their money and they can pass that money out in any way they choose. That is the government's right. That is the business they are in. But I do not think the government should try to unload its responsibility and hide it on somebody else.

**Mr McGuinty:** I want to take the opportunity to have you confirm something for me if you can. It is in relation to the facts connected with Elliot Lake. There has been all kinds of discussion and I think I am pretty clear on the facts. If not, maybe you would let me know.

It is my understanding that what happened is that Ontario Hydro had entered into a contract to purchase uranium from Rio Algom. There was a provision in the contract that said, "If you give notice in 1991, you can pull out in 1993." However, it was a prerequisite that they get consent of government to do that. The government said: "No. You're not going to pull out in 1993. You're going to extend to 1996. We're going to cut back the price you would have had to pay for the uranium, and you're only going to pay \$185 million more than you would have paid on the open market. Furthermore, you're going to kick in \$65 million to the northern Ontario heritage fund." So the net result at the end of the day when all this is added up is that this deal is costing Hydro \$250 million more than it otherwise would have cost had it simply bailed out in 1993 as it was permitted to do under the legal terms of the contract. Is that your understanding?

**Mr Clark:** Generally speaking, yes.

**Mr McGuinty:** Of course, the issue remains as to whether there was an obligation owed to the people of Elliot Lake. If there was such an obligation, by whom? I maintain it was the government's obligation, not Hydro's obligation.

I want to ask you something, though, in relation to subsidies—that is the word that has been kicked around

here lately—to assist people to switch from electricity for purposes of heating to natural gas or an alternative fuel. If Bill 118 was ultimately to provide that there be no grants, only loans extended to people interested in making the switch, would that have any adverse effect on ratepayers?

**Mr Clark:** It depends on who guarantees the loan, I guess, and whether there are defaults on it.

**Mr McGuinty:** Okay, maybe it is difficult—

**Mr Clark:** Certainly it would have less impact than an outright grant; there is no doubt about that. It may be a better way to promote the switching because it provides for cheaper financing for the individual customers to convert.

**Mr McGuinty:** I am assuming Hydro would extend a loan at a reduced rate as a result of its borrowing power. It has the guarantee of the province, of course. I guess it is difficult for you to answer that question, but my assumption was that it would not be as detrimental as an outright grant.

**Mr Clark:** Oh, absolutely not. However, if it is an interest-free loan, then it becomes much more of an incentive. If it becomes a forgivable loan, it is just an outright grant. I guess it depends on how your loans are set up.

**Mr Arnott:** You have stated right near the end of your presentation: "It is a long-standing principle in our society that market forces are the best mechanisms to determine the availability, price and allocation of products. Tampering with this in a material way distorts their efficient and effective allocation." The present government we have in Ontario is known for many things, but promotion of the value of the free market is probably not one of them. Would you care to expand on what you have said and why that is so essential, especially in a finite resource such as energy?

**Mr Clark:** I have the basic feeling that products should be priced at whatever their costs are. If you distort that, you end up either overproducing or underproducing. Probably the best example in the world today is eastern Europe where the communist countries have subsidized certain products to the point where they simply cannot produce them. Nobody will produce them. I do not really think in our society we have gross misuse of that. If products become too expensive and there are other alternatives, the customers will switch to those other alternatives and I honestly think they should. It is in their best interests. That is why we are here: to serve the customers of the province. If we have a product that is too expensive and there is another way of doing it cheaper, that is the way our society should go. I do not think we should try to maintain a system in place through incentives. If it is not needed, we should get out of it, and the price is the right way to do it.

**Mr Arnott:** Do you think that if \$6 billion of demand-management or fuel-switching incentives are put forward we may wildly distort our energy market in Ontario?

**Mr Clark:** There is a concern that it will be distorted. This is one of the things the government, Ontario Hydro, the MEA, the large players in this should sit down and really sort out. Is that a distortion or is it not? Six billion dollars sounds like an awful lot of money to me.

**Mr Jordan:** You, along with other utilities across the province, state that many areas of Bill 118 cause you concern.

I wonder how you feel about putting Bill 118 on the table for the present time and have further study and establish a task force to develop a comprehensive energy policy for this province, as you have indicated here in your brief.

Let's just put this thing on hold because of the many areas of misunderstanding and dissatisfaction. Would your utility or you as an individual think that establishing a task force to establish a comprehensive energy policy for this province would be a start in the right direction?

**Mr Clark:** Yes, I do.

**The Chair:** We all thank you for taking the time to be here and participating, as so many others have. This legislation has attracted an incredible amount of interest. As you can well imagine, the views that have been expressed have covered the complete spectrum, but they have all been a valuable part of the process, so we thank you. We are grateful to you and we trust you will keep in touch.

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#### UNION GAS

**The Chair:** The next participant is Union Gas. Come up and have a seat. I have to tell you people that we spoke with Union Gas last night. You know that. I checked the submission made by Union Gas in Chatham last night and the one that you are about to make today and they are not the same, not that they contradict each other, but you raise some issues and you talk about some figures that are new. Far be it from me to tell you how to make your presentation, but time is scarce.

You may want to highlight your submission, getting down to the nitty-gritty, because as you can see—

**Mr Dadamo:** Same map.

**The Chair:** It is Ontario; it should be the same map. I hope things have not changed in the last 24 hours.

The most valuable part of these exchanges almost inevitably is the questions and answers, so let's try to get to the heart of the matter. Tell us who you are.

**Mr van der Woerd:** We will make our submission brief so that there will be time for questions. I would just like to make a few introductory comments. I am John van der Woerd. My function is manager of marketing at Union Gas. I have with me colleagues from this particular area called the northern region of Union Gas. Rob Fennell is our manager of operations and Frank Varga is our manager of sales for this area. I will make a few introductory comments and then Frank is going to give you some perspectives that apply particularly to this area in terms of fuel switching.

First, as you remember, we believe that conservation through fuel switching benefits all participants in the transaction, including electric customers who are going to realize reduced increases in electricity rates as Ontario Hydro chooses fuel switching rather than other more costly capacity options, including Hydro demand management.

Second, new gas customers will receive lower energy bills. We showed you some of that evidence.

Third, society sees reduced energy consumption generally as well as reduced environmental emissions. Ontario Hydro will experience reduced demand as a result of fuel switching and thereby limit further capacity investment

requirements. The local electric utilities will pay less for electric supply because they have the opportunity to choose a less expensive option, or Hydro does. To the extent that the local electric utilities have some concerns, Ontario Hydro may wish to develop mechanisms to resolve such concerns in a mutually beneficial way.

I would like to summarize for you some of the reasons we think it would be useful for the committee to consider natural gas as one of the fuel-switching alternatives.

Customer savings are in the range of 50% as compared to electricity. In addition to that, source efficiency is 50% greater with gas than with electric, and carbon emissions are reduced in excess of 65% when going from electricity to gas.

As we discussed earlier, we showed you a perspective regarding our system expansion project, which is a project to displace 100 megawatts by expanding our distribution system. We are proposing that costs be shared among the participants in ways that benefit them so that our project, which would be a \$62-million project to displace 100 megawatts of electricity, would include contributions by customers for their equipment, Union Gas for its distribution system, and if Hydro saw fit we would see the possibility to have incentives for the transmission lines that need to be built to transmit gas, as well as some incentives for the customers to switch.

As I mentioned, it is our view that fuel switching is an option that is missing in Ontario Hydro's power portfolio that could be put in place with this bill. We would only be proponents of this particular option being added to the extent that it was economical for Ontario Hydro as well as Union Gas.

With those introductory comments, I would like to turn the floor over to Mr Varga so that he can take a few minutes as well.

**Mr Varga:** I would like to take the opportunity to put some of the comments heard from John last night and now into a local perspective, what it means to the local area, and I have brought this map along to refer to.

**The Chair:** Mr Revie wants to hear you talk about Rockwood.

**Mr Varga:** Yes, and I shall. I will cut down the text and you can fill in the rest later. I will try to hit the salient points.

As you will note on the map, the northern region is coloured in purple and yellow. We have eight divisions in the company. Two of those divisions become the northern region. This region covers a large geographic area in southwestern Ontario, from Georgian Bay to Lake Erie, including all the major communities of Owen Sound, Kitchener-Waterloo, Guelph, Cambridge, Brantford, Simcoe and dozens of smaller communities. We have 125,000 residential and 16,000 commercial-industrial customers in this area and we employ about 370 individuals who provide services ranging from pipeline installation to technical sales advice, billing services and so on. We pay municipal taxes in excess of \$4.3 million. Our average annual capital budget is about \$17 million, so we create a lot of employment in the area.

If you would just look at our Waterloo division—my secretary calls it lavender; I call it purple—we have installed approximately 94 kilometres of new gas main and about 4,000 new gas services annually over recent years. We have been very busy in the marketplace. Last fiscal year alone, over 1,800 customers in this region switched from other fuels to natural gas for heating. About 58% of those were oil and 42% were electric. We expect similar numbers this year. In fact, we will probably hit 2,000.

In our 1991 fiscal year, over 3,500 customers in the region switched from electric to gas water heaters and our forecasts are similar for this year. Natural gas has become the fuel of choice based on economy, efficiency and environmental advantages.

Working with Ontario Housing Corp and local housing authorities, we are currently in the process of converting 52 buildings from electric to gas water heating in Waterloo division. Almost 1,000 new social housing units will use gas for heating and water heating this year. This represents over 90% utilization, up substantially from 1988 where almost everything was baseboard.

In our efforts to bring higher efficiency equipment to the market and support the province's energy production and efficiency objectives, our division pioneered the first installation of microcogeneration in the province at Lutherwood school for the developmentally handicapped in Waterloo. This was a joint project co-sponsored by the Ministry of Energy and Ontario Hydro. Additionally some of the first installations of direct-fired water heating equipment occurred in Waterloo. This equipment is almost 100% efficient.

We have also introduced through-the-wall cooling units requiring no duct work. Space-heating natural gas fireplaces have also provided another option to offset electric baseboard heating.

However, there are limitations to our ability to provide our fuel and services to many consumers in an economical manner. Conversion costs can be onerous, and it is not economically possible for us to supply natural gas to all communities.

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In Waterloo division there are dozens of communities without access to natural gas. The costs of the transmission systems to bring natural gas to these communities make most of these projects economically unviable. We have reviewed our ability to provide gas service to a sizeable community like Rockwood, for example, just outside Guelph. The community has approximately 600 homes, of which 364 are heated with electricity. Presumably all the houses use electric water heaters. Forecasts from builders and developers project that Rockwood will grow to a community of over 2,600 homes over the next 20 years. New installations are going electric due to the unavailability of natural gas, and we continue to receive numerous inquiries from Rockwood residents and businesses.

In order to provide natural gas to Rockwood, the project costs would be \$6.5 million. Of this total, using our economic tests, we can only support \$3.6 million economically. The difference would be required as an aid to construction to bring natural gas to the community of Rockwood.

Rockwood is just one of many examples we have throughout the company territory. The interest in natural gas is high and the reasons are straightforward. John has outlined those.

Current estimates by Hydro show that it will cost approximately \$800 to generate a new kilowatt of electricity, and Ontario Hydro is spending in the order of \$600 per kilowatt to reduce consumption and demand. We estimate that sufficient incentives can be generated at approximately \$300 per kilowatt for substitution of natural gas to be successful.

The point I want to stress next is that our option is certainly cost-effective compared to the other two alternatives, but furthermore, when a furnace or a water heater is converted to natural gas, the electric load is definitely reduced. It is gone and you can verify it. This contrasts sharply with advertising and promotional activities, which are hard to measure.

In Rockwood, converting existing electrically heated homes would reduce demand by 3.64 megawatts. This is equivalent to saving \$2,912,000 in generating capacity. If we look out over 20 years, the total savings could be as much as 24 megawatts. Expressed in financial terms, it will cost Ontario Hydro \$19,320,000 to supply Rockwood over the next 20 years. The natural gas option, using the \$300-per-kilowatt equation, would only cost \$7,245,000, a saving of some \$12 million. It is clearly more economical to support substitution in this example.

We provide many examples of these opportunities in the northern region and we have undertaken expansion on our own where it is economical. The natural gas penetration rate in the northern region is among the lowest in the company due to past aggressive marketing by Ontario Hydro. There are many all-electric subdivisions that provide immediate opportunities to reduce load.

Recently we began piping the Parkwood Gardens area here in Guelph. There are over 500 electric homes in this survey representing five megawatts of load reduction potential. We took on this project on our own within our own economic abilities and we figure that we will convert about half of all those homes. With further incentives from Hydro, perhaps the other half or a good portion of those would convert.

We also recently finished piping the community of Mannheim for some \$800,000 in capital investment. We have already converted 50 electric homes there out of a total of 200. In Simcoe we have converted over 120 homes from electric this fiscal year and have spent over \$300,000 in capital.

Overall, in Waterloo division the heating market share for natural gas is only 56%. Water heating is only 42%. This means there are potentially over 56,000 heating customers and 99,000 water-heating customers. Assuming only half the heating customers are electric, the potential load reduction could range as high as 493 megawatts. This is in Waterloo division alone, in that purple section. Further, only 6% of customers in the division cook with natural gas and 5% use it for clothes-drying, significant other opportunities for load reduction.

I would like you to note on the map the very large areas referenced in white, particularly to the west of the purple. These areas have no natural gas available whatsoever. Many more areas even within the coloured sections, which are our franchise areas, have no gas due to the capital costs that make the projects uneconomical. This year—we track these—we have had over 140 individual inquiries from these communities, and we have surveyed and unfortunately have been unable to provide gas to over 660 households or businesses that directly inquired of us, due to capital costs considerations.

We are obviously interested in economic expansion of our system and the economic provision of services in the province. We know that the province and Hydro have the same interests. We respectfully suggest that supporting substitution complements the province's and Hydro's objectives.

We will be most pleased to answer questions.

**Mr McGuinty:** Think of me as a very cynical consumer. At one point in time the feds told me I should get off oil. They used my taxes to help me get off oil and to help others get off oil because they could not supply me with a guarantee regarding supply, essentially, and price. Hydro, like that fellow on *The Price is Right*, tells me to "Come on down" and to "Live better electrically." So I have done that, but now I have learned that electricity is very expensive and is not good for the environment. Now Hydro is maybe going to pay me to go back to oil, so I am concerned about that. Now the gas people are saying "Come on down," so I am concerned about supply and want to know what guarantees you could offer me as a consumer if I switched to gas, about supply, about your pipeline capacity and about price.

**Mr van der Woerd:** Regarding the issue of supply, I think in the first instance it is certainly something to raise as a point. As we have mentioned, we think the supply of natural gas is such that there is a glut on the North American market. There is a glut that is reflected in the fact that the price of gas at the retail level is now 7% lower than it was eight years ago in Ontario. That has all happened since the time of deregulation, when the market price tried to reflect a balance between supply and demand. That is indicative of the fact that there is a significant supply of gas on the North American scene, but that does not change the fact that conservation is as much a part of the way gas utilities do business as it is a part of the way electric do business. So conservation is important to ensure our integrity in the future. If we look at substitution and at the impact it would have in southwestern Ontario, let's take Union Gas as an example—

**Mr McGuinty:** Sorry; I think you are straying a little bit. It is supply, pipeline capacity and price. What guarantees can you offer me?

**Mr van der Woerd:** Let me take you through the analysis of Union Gas's situation. We sell 250 billion cubic feet of gas today. If we connect all the cogeneration that we think is available to be connected and all the substitution that is theoretically possible, we will increase our sales by about 50%. This is what is going to happen in Ontario. In the situation where we have the kind of surplus that we do

and we add that level of sales, I think the concern about supply—I respect the fact you have that concern, but I submit to you that this kind of evidence supports forecasters who are saying the price of gas is going to be stable for a very long time because of the surplus of supply.

**The Chair:** Thank you. I am not sure whether Mr McGuinty is going to be happy with that, but we have to move on to Mr Arnott.

**Mr Arnott:** I would like to put a proposition to you and ask whether or not you agree. I believe history has taught us that if we tamper with and distort the free market system in a significant way, we have long-run problems in that market. I think what the government wants to do is have everyone—it has said many different times that space heating should not be done by electricity. If the government brings forward incentives that totally eliminate that form of heating, I have real concerns about the security of supply and the price of natural gas.

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**Mr van der Woerd:** Mr Arnott, I would too. I would share that concern. We agree with you that the free market needs to work and that impediments need to be removed rather than added.

What Bill 118 does is give Ontario Hydro the ability to make capacity choices. One of the choices they cannot make because of the existing Power Corporation Act is fuel switching. We would only suggest that they do that to the extent that it makes financial sense for them and their customers. They cannot do that today. This bill is going to give them the ability to choose an inexpensive option that is in their best interests and the best interests of customers. If it is not in their best interests or the best interests of electric ratepayers, then they ought not to be doing it.

**Mr Arnott:** If it is in the best interests of the customer, why do they need the incentive?

**Mr van der Woerd:** It is in the best interests of customers because the next available option to fuel switching is twice as expensive, and the next available option thereafter is ten times as expensive.

**Mr Arnott:** Why do they require incentives?

**The Chair:** Mr Dadamo, you may want to ask the question Mr Arnott wants real bad to ask now.

**Mr Dadamo:** It is good to have you as good corporate citizens in the city of Windsor, by the way.

Mr Varga, it says here that in fiscal year 1991, over 3,500 customers in the region switched from electric gas to water heaters. It says equally that in 1992 you will have probably around the same. Do you perform any studies that make a distinction on the use of electricity to gas being more economical? In other words, do you go out and make the sales pitch or do people come to you saying they would like to make the switch?

**Mr Varga:** We do both. We clearly provide promotional material in the marketplace that shows the actual costs. Those costs typically are not disputed by the electrical utilities or other people in the marketplace. We do mailers and therefore we promote them in a true marketing way. The newspapers and the media also support that. People do

call us. In fact, we get dozens of calls every day. We have over 40 or 50 water heaters go out every day, and that is not just because we called people or called on people.

**Mr Dadamo:** Okay, one other quick one.

**The Chair:** No.

**Mr Dadamo:** No? Okay.

**The Chair:** Union Gas, thank you very much for visiting us yet one more time. We appreciate your coming here, especially in the evening.

#### WATERLOO PUBLIC INTEREST RESEARCH GROUP

**The Chair:** The next participant is the Waterloo Public Interest Research Group. Gentlemen, please tell us who you are and tell us what you will. We have 20 minutes. Please try to save at least the last 10 for questions.

**Mr Novak:** My name is Daryl Novak and I am a staff person with the Waterloo Public Interest Research Group.

**Mr Douglas:** My name is Cameron Douglas and I am a master's student in the faculty of environmental studies at the University of Waterloo. I promise tonight's presentation will not take more than about six or seven minutes, so we will have lots of time for questions.

In my studies, I am specializing in land use planning and energy issues. I am also a member of the James Bay work group, which is part of the Waterloo Public Interest Research Group, and it is on their behalf that I would like to speak to you tonight.

In terms of my familiarity with electricity planning issues, I have just completed a comprehensive course entitled "sustainable energy futures," which addressed, among other things, the potential for energy conservation and efficiency in Canada, and specifically in Ontario. As a requirement for that course and as a result of my interest in Hydro-Québec's James Bay development, I prepared a study of Hydro-Québec's electricity planning procedure in which I examined, for example, its conservation and efficiency strategy.

The James Bay work group that I represent tonight has over the past nine months been involved with promoting awareness of and citizen involvement with issues concerning Hydro-Québec's James Bay development. Our group has, however, slowly shifted its focus to our own backyard of Ontario, and as such has looked for ways to avoid the need for construction of new hydraulic, nuclear and coal-based electrical generating facilities in Ontario. We believe that in terms of meeting growing energy service demands in Ontario, conservation and efficiency measures are much more desirable than new conventional supply options in terms of economic and environmental impacts. I am sure your committee is more than familiar with the impacts I am referring to. Specifically, our group has begun to actively promote electricity conservation in the city of Waterloo, and we have the official endorsement in principle of Waterloo city council for our efforts.

I would like to speak tonight in favour of Bill 118 because I believe its passage would remove several barriers that stand in the way of the implementation of conservation

measures our group is attempting to promote. I am referring specifically to two sections of Bill 118.

The first is the section that changes Ontario Hydro's mandate to allow for the active promotion by Ontario Hydro of space-heat fuel switching, ie, off electricity. I am aware your committee has received extensive support for this proposal from other consumer and environmental groups, so I will not focus on this issue other than to confirm our support for this change in mandate for economic and environmental reasons that we are told have been brought forward in previous submissions.

We realize there is some opposition to fuel switching, but we believe this change would very much be in the public interest and we fail to recognize how reduction in the wholesale cost of electricity to municipal utilities would make their mandate any more difficult to carry out.

The second issue of Bill 118 that I speak in support of is section 8, concerning section 95a of the old act. This amendment would allow municipal utilities to amortize, over several or many years, the cost of conservation initiatives. This applies to cases where it is cheaper for the utility to reduce demand using conservation than it is to purchase electricity from Ontario Hydro. Under existing legislation, all conservation programs must be budgeted and paid for as operating expenses, which means effectively that only those initiatives that pay for themselves in one year or less will be implemented. Clearly this limits the potential for conservation.

For example, approximately 15% of the population of Waterloo are students attending the city's two universities. Typically students will not live in one place for more than about eight months. The conservation measures of compact fluorescent lightbulbs and set-back thermostats for electric space heating, for example, both have payback periods longer than one year but generally less than five. As it is not economically rational for students to invest in these measures, market forces alone cannot be expected to deliver them. However, if the local municipality were allowed to amortize the purchase of these devices over the lifetime of the device, it could become economical for the municipality to subsidize in part or in total the purchase of these devices.

Clearly, however, the savings Ontario Hydro would derive as a result of reduced demand must be passed on to the municipality for compensation of the cost of the devices and of lost operating revenues. Ontario Hydro could pay the municipality for the lost sales as well as passing on a portion of the savings it has realized. This is in effect a win-win-win situation. Ontario Hydro's costs are lower, the municipality's costs are lower and the consumer's costs are lower, not to mention of course the environmental benefits.

An arrangement similar to this has already been implemented by the Pacific Gas and Electric Co in California and by New York's Niagara Mohawk Power Corp. I will very briefly read a description of this program that I find particularly convincing:

"Niagara's residential low-cost measures program provides each participating household with a low-flow shower head, a compact fluorescent lightbulb and insulation to wrap their electric water heaters and pipes. The equipment should save 960kWh per participating household per year.

For each household, the utility loses about \$72 in annual energy sales but saves about \$40 on fuel and capacity costs. The difference (\$32 a year) is charged to the residential customers each year for eight years and includes a \$5 profit for the utility. For the equipment, each participating household pays \$6 a year for eight years. Therefore, each household will save \$272 over eight years."

The source I quote here is the special publication of Scientific American called Energy for Planet Earth, from the chapter "The Efficient Use of Electricity."

I obviously do not have the specifics as to how such a program would work in Ontario and in Waterloo. However, the proposed changes to section 95a of the old Power Corporation Act would open up a great number of exciting possibilities for the implementation of energy conservation in Ontario. Our group would be more than willing to assist our local utility, Waterloo North Hydro, in the planning and implementation of such possibilities in Waterloo.

In conclusion, I would like to commend Ontario Hydro for its recent and dramatic increase in commitment to conservation and efficiency. Many of its initiatives will represent significant changes to past ways of doing things. As a result, a certain amount of inertia that will make these changes more difficult can be expected. That is why I have spoken tonight in favour of two of the proposed changes to the Power Corporation Act.

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**Mr Arnott:** Thank you very much, gentlemen, for coming forward. I appreciate your opinion, your strongly held view on this matter. I do not have any questions but I want to thank you for coming forward.

**Mr Jordan:** Thank you for your interest, first of all, in Bill 118. It is good to see that type of interest and the time you have spent in preparing your presentation.

I was wondering, taking into consideration previous submissions, if you think we have done enough study on an energy policy for the province, whether perhaps we are rushing into something. It would appear there is no shortage of generation at the present time, in that Ontario Hydro has just advised Windsor, I believe, that it is not in need of supporting gas generation there to feed the Windsor public utilities and the system. So I do not see that we have to deal with in an irrational manner by rushing into it, that we could give it some more thought. I was wondering, with your age group and your interest, if you think a task force to study a provincial energy policy that was long-term would be time well spent.

**Mr Douglas:** To answer that, I guess partly out of ignorance, I do not know how many of the policy issues have been brought up through the environmental assessment process currently under way with Ontario Hydro. I would imagine that in the context of those hearings, a certain amount of policy discussion must go on, because you cannot talk of electricity without talking about gas, oil and other energy.

My own feeling is, no, I do not think we are rushing into things. I think these ideas are not new, and I think the recent hearings at Ontario Hydro have shown that conservation and efficiency are no longer something that only

environmental radicals believe in. In light of your question about a task force, our interest is a community-based, small-scale effort, and in that sense maybe our interest is not in looking at the whole province. We would like to focus and direct our small amounts of person power.

**Mr Waters:** You said you had just finished or were taking a course at the university level on energy. I understand there is a way that the PUCs can offload their peaks without going to the house. In other words, they can basically, from wherever, shut down your hot-water tank at a peak time, or your drier will not work at the peak time, or whatever. I was wondering if you found any of that going on or any indication of it.

**Mr Douglas:** No, I have not. I do not believe, certainly in Waterloo, that the potential is there. They need individual control to do such a thing. As far as the electrical hot-water heater is concerned, are you referring to the scenario where they just cut off power for, let's say, one second, but over the space of a whole consumer base—

**Mr Waters:** You could cut off the hot-water heater, let's say, from 5 o'clock to 7 o'clock. You are not going to hurt the hot water. It is still hot. I would say that is your peak time.

**Mr Douglas:** I am not aware of anything going on in Waterloo.

**Mr Waters:** Is there anything in your studies or in your work that this is going on anywhere, that type of thing.

**Mr Douglas:** Not as you discuss it. What I have heard is something that does not affect service whatsoever. It is a one-second shutdown at various times across the customer base, which actually can have significant impact, but I have not heard of a more extensive shutdown.

**Mr Huget:** You were mentioning that you are involved in an energy conservation project here in this area. I would like to know, first of all, are you working with Waterloo North Hydro when you are doing that? I would like to know a bit more about what initiatives, about what you are doing for the conservation and efficiency issue here?

**Mr Douglas:** First, I should tell you what we have done. We started with what we called our "symbolic action." What that refers to is that we made public through the use of the two Waterloo newspapers an offer to the citizens to change one high-use lightbulb anywhere in their apartment or house for a compact fluorescent as a symbol of their commitment to efficiency. That was the launch to our program. It was done on our own without discussion with Ontario Hydro, but we have since been speaking with them. We have some of our own ideas and at our next meeting they will be there with us and we hope to sort of co-plan where we are going.

**Mr Huget:** Is the local hydro, Waterloo, involved in that?

**Mr Douglas:** The local office of Ontario Hydro is involved, but Waterloo North Hydro will be contacted as well. We have not established, up to now, contact with Waterloo in that sense.

**Mr Huget:** What is the reception to the compact fluorescents you are providing as sort of your program launch?

**Mr Douglas:** It is really difficult to say. This was launched in late November. We have no way of actually assessing the market and what the effect has been. With our new effort, with our ideas, we will have a much better opportunity to assess how effective it has been. We are focusing initially on apartment buildings where there is some sort of homogeneity to the areas we are trying to affect.

**Mr Huget:** What has the public reaction been? Are people interested in conservation initiatives?

**Mr Douglas:** We are waiting until Ontario Hydro meets with us before we actually approach the customers, so we are in the infancy of what we hope to do.

**Mr McGuinty:** I should say at the outset that we have heard from a number of groups with environmental roots, if you can put it that way. It is heartening to know there are people like yourselves out there working, whose sincerity in bringing about a solution to some of the problems that have been created over a few lifetimes is beyond doubt.

We had a witness here before us earlier today, Mr Kleinau—in fact, I think he is still here—and he raised something I thought was very interesting. He is with the Bruce Peninsula Environment Group, and he felt that if Bill 118 was to go ahead, it should be used by the government and Hydro to switch people off electricity, not to our non-renewables, gas and oil, but rather to solar and wind-powered sources. His point was that if we were to show real foresight, if we were to reach as far as we possibly could into the future in terms of showing our ability to plan, we would go with those two sources rather than oil and gas. Can you comment on that?

**Mr Douglas:** I can comment. I feel that somewhere in the middle is where we should be going. My own feeling is there is not overwhelming evidence that we could make the switches we are talking about, which are possible with, let's say, electricity to gas, in the non-renewable to renewable framework.

With the section I was talking about, allowing the municipalities to treat conservation as an investment, this bill might enable, for example, such things as solar water heaters to be used. That would be a mechanism where that could be done because clearly they need a substantial investment period. As to the overall energy policy, I guess in my mind I see it as a direction, something we have to be working towards, but my own feeling is we are not at the point yet where we can do that. I would imagine the previous submission did more looking into this than I have.

**Mr McGuinty:** The government is going to get into this and begin to promote alternative fuels. In terms of promoting it, do you think we should perhaps enlarge the number of grants available for renewables and recognize that as being better than the size of grants, and not give as large a grant if it would get into grants to people switching to the non-renewables?

**Mr Douglas:** I could not agree with you more. It has been a frustration for myself to listen to discussions about conservation compared to, let's say, non-renewables that say: "Why should we meddle in the market? Let the market handle it. If it's not economical, then don't do it." My answer to that is the non-renewables have been subsidized

for countless numbers of years, with huge subsidies in terms of exploration, development, transportation, whereas the conservation initiatives and research and development, have been receiving a paltry amount.

I would see any sort of intervention in conservation not as intervention but more as bringing it up to par with the others. A direct answer to your question is, yes, I think that is where Canada could create a niche for itself in terms of environmental energy technology. I think it is a great possibility.

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**The Chair:** Gentlemen, we all thank you. In the early part of your comments you were talking about people—students among others—who move about, and the difficulty there is for them to utilize energy-saving bulbs and so on in the premises you were referring to. I know a man who, I presume because he is so enthusiastic about the whole prospect, carries his energy-saving bulb with him wherever he goes. I presume it is so that when he is in a hotel, for instance, he takes out the 60-watter and puts in the 50. I know he has carried them with him for the last three weeks. If only other people could acquire that same enthusiasm.

**Mr Douglas:** If we had had an opportunity to be here earlier, we would have outfitted this room, but we were late arrivals.

**Mr Jordan:** I can help you out here.

**The Chair:** We are grateful for your participation, and as Mr McGuinty pointed out, we are grateful for your enthusiasm. You know that you do not have unanimity in this group before you and that not everybody agrees entirely with you, some more than others, but I think all of us are unanimous in encouraging you to keep on doing what you are doing. You are making a significant contribution to your community and to the province. Thank you for coming here tonight. Take care and keep in touch.

#### NORTH SHORE TRIBAL COUNCIL

**The Chair:** The next participant is North Shore Tribal Council. Please tell us who you are.

**Mr Lewis:** Thank you for the opportunity to speak to the group. My name is Keith Lewis and I am the environment director of the North Shore Tribal Council.

**The Chair:** Tell us what you will. We have your written material, which will become part of the record by virtue of being an exhibit. You have 20 minutes plus. Try to give us some time for conversation.

**Mr Lewis:** The North Shore Tribal Council comprises seven first nations communities along Trans-Canada Highway 17 between the cities of Sudbury and Sault Ste Marie. Those communities are called Batchewana, Garden River, Thessalon, Mississauga First Nation, Serpent River First Nation, Sagamok Anishinabek First Nation and Whitefish River First Nation. My home community is the village of Cutler, known by our people as Kenabutching, situated on a tract of federal Indian reserve, which is also known as Serpent River.

The geographic area mentioned, being that of the north shore of Lake Huron, is unlike many somewhat pristine

areas to the north of us, though even those are fast disappearing, because the north shore sadly has become known as an environmental sacrifice area for a host of destructive enterprises, most of which are energy-related. Public and private industry developments, and proposed developments, are either in the forest or mining sectors and the requisite infrastructure, energywise, must be developed to meet the demand for power.

Sault Ste Marie is host to St Marys Paper and the near-defunct Algoma Steel, being threats from a perspective of pollution to all downstream users on the St Marys River. Blind River, the home of the Cameco uranium hexafluoride refinery, formerly owned by Eldorado Nuclear, seems to be consistently plagued by accidental emissions of uranium dust, traces of which have turned up in the blood and tissue samples of members of the Mississauga First Nation who happen to live downwind and adjacent to the refinery.

The Mississagi River itself has been all but destroyed by a string of hydro-electric dams that have been built along its course and which during summer months reduce the river to a trickle. People of the Mississauga First Nation make comments that seagulls and people can walk across the mighty Mississagi during the summer without getting their feet wet.

The Mississauga First Nation has also felt the impact of the loss of a major part of its traditional sturgeon fishery, something it has done for hundreds of years, this in part due to siltation problems caused by fluctuations in water levels caused by Hydro's activities on the river. To add insult to injury, when the Aubrey Falls reservoir was being flooded to create what is now Rocky Island Lake, it was amid the protests of some aboriginal people at the time whose trapping territory was located there, who lived there for the better part of the year and who also had burial grounds there. No consideration was made whatsoever for this and the burial grounds are now part of the lake bottom. The Blind River and Mississauga First Nation area is also home to a number of small Hydro projects which infringe on an area currently undergoing land claims negotiations.

The Mississagi River itself is the object of yet another hydraulic proposal by Ontario Hydro being pushed by the provincial government to offset the impact of mine closures in Elliot Lake. In this case aboriginal people on the north shore have been given a carrot whose premise is that a comanagement regime may be implemented to empower Indian people relative to natural resources development. It is also rumoured that the idea of a joint venture may be entertained by the province. This is the Patten Post proposal, which calls for generation of 250 megawatts of electricity through hydraulic generation. It would flood 4,000 hectares of land and inject \$300 million into the local economy. I will talk a little more about that later.

Some other horror stories include the community of the Sagamok Anishinabek, which has had its traditional fishery severely impacted upon by the activities of E. B. Eddy Forest Products Ltd, which operates a pulp and paper mill upstream of its community on the Spanish River. Also a part of that plant or facility is a cogeneration plant. A few years back the company had a major spill into the river that killed thousands of fish the people had used for consumption

and economic development initiatives in the form of commercial fishing.

There are long lists of grievances that have been endured by not only the aboriginal people but also the general public. There has been test drilling in the Sagamok Anishinabek traditional areas by Atomic Energy of Canada Ltd as an investigative process into the disposal of high-level radioactive waste, a worrisome process for all of the people there who opposed the testing vehemently.

The most worrisome and destructive industry—this is my opinion—has been associated with the mining activities in Elliot Lake. Since the early 1960s the mining operations of Rio Algom and Denison Mines have polluted the land, air and water of the Serpent River basin and have negatively affected the people of the Serpent River First Nation, physically, socially, culturally and environmentally. Now that there is a downturn in the economy and the mines are scheduled to slowly die, the people of the region are saddled with the possibility of another environmental nightmare in the thousands of acres of mine tailings that are going to be left behind.

Last week on January 23, I had the opportunity to say a few words to this committee on the subject of Elliot Lake and those special considerations that were being made for the community. What I mentioned at the time was that if activities like Patten Post were to be used as economic initiatives to assist Elliot Lake, then any such development should be done in an environmentally sustainable manner with complete environmental assessments. Patten Post—that is, Ontario Hydro in particular—should make consideration for aboriginal people one of its top priorities, especially in light of the recent provincial recognition of the inherent right to self-government, that any talks with aboriginal people will be on a government-to-government basis and so there will be statements by the Minister of Natural Resources that aboriginal people will be given the opportunity to participate in these types of developments in significant ways. For aboriginal people to be recognized in such a way is contrary to what the history has been between Ontario Hydro and aboriginal people. This gives rise to the question of whether first nations should be negotiating with Hydro when the corporation is not a government.

There is a somewhat new and emerging concept, I have been told, which has arisen. It is called life-cycle cost. The way I understand it is that corporations like Ontario Hydro and, for instance, the mining industries in Elliot Lake have a responsibility to the people of the communities they have affected in social, economic and environmental terms from the cradle to the grave. The concept is not unique and it sounds really good. It provides some rationale for the bailout of Elliot Lake, especially in regard to the province's involvement in requiring Hydro to purchase its uranium from Elliot Lake at high cost over uranium from Saskatchewan at a lower cost and higher grade.

The question that arises here is whether Hydro should be utilized as an economic tool. This gives rise to a dilemma, especially for Indian people, who from a traditional perspective do not wish to negatively impact on the land, but at the same time enjoy the conveniences electrical power affords us.

In the case of the North Shore Tribal Council, which has been offered the carrot I spoke of earlier, and which according to some might have to seriously consider the possibility of joint venture, the dilemma becomes one of a choice between large-scale destruction of the land and opposing the project on environmental and cultural grounds to the detriment of all local people, or of participating in the development of the project and receiving many of the opportunities we have been lacking over the decades, such as education, health and cultural awareness education, those kinds of things.

#### 2050

The most likely scenario with respect to Patten Post would be that the tribal council would opt to develop the site, were it to go ahead, but on a much smaller scale than originally proposed and utilizing a run-of-the-river concept.

There are many stories and dilemmas I would like to express at this forum, but I would like to get into some specific points and then any questions you might have.

I think aboriginal people should be given special consideration in terms of the shared development of Ontario Hydro projects, especially if those projects potentially impact on aboriginal interests, rights or treaties. This would be consistent with the statement of political relationship and the concept of inherent rights. History has shown that aboriginal people have received few benefits and shouldered much of the costs and inconvenience of Hydro initiatives.

The board of directors of Ontario Hydro is currently comprised of people who seem to reflect a professional bias towards development, such as engineers and the like, and should be comprised of more of a cross-section of disciplines, including the social and environmental disciplines, and should also reflect the makeup of the community it serves. More aboriginal people should be appointed to the board to reflect the fact that many of the projects being initiated across the province directly or indirectly affect aboriginal interests, their lands and their rights.

There is some discussion and disagreement in the aboriginal community over how their representatives are to be appointed; that is, the aboriginal people appointed to the board of directors of Ontario Hydro. If Hydro must become more accountable to the people, then maybe a process should be set up in which first nations select their own board members.

Meetings of the board should be made public and at specific times should be held in northern communities. This would give the public an opportunity for input into the decision-making of a public corporation and allow the board members to see and experience first hand the impacts of their decisions.

Ontario Hydro should formulate a declaration that acknowledges there are past grievances that need to be addressed with respect to first nations peoples. The past and the present have shown us that there has been a relationship between Hydro and aboriginal people that has been based on inherent distrust. Any time energy policy has been discussed with aboriginal people included, if there has been any consideration for consultation whatsoever, it has been to look for the approval of some sort of development where there has been no benefit to aboriginal people.

Ontario Hydro upper management is in the practice of making grand statements that never filter down to the level of the field workers who essentially are the face and negative attitude of Ontario Hydro. In relation to Indian people, there should be a massive cross-cultural education campaign to educate Hydro employees concerning their role in relation to the community. If the purpose is to change Ontario Hydro and education is not addressed, you will only serve to change the board and not the attitude towards first nations and the general public.

The costing of electricity, said to be calculated at cost, should also include social and environmental costs.

The idea of fuel switching, in my mind, somehow seems fundamentally faulty, given that one form of environmentally unsound way of heating is being trashed to exploit another that may be just as damaging.

These are my submissions and I will take any questions if you have any.

**Mr McGuinty:** Thank you for your presentation. You are probably aware that Ontario Hydro, through its amendment to its demand-supply plan, plans to double the number of megawatts we are going to get from non-utility generators. It is my understanding that 70% of those generating stations will be located in the north. I wonder what concerns you have, if any, regarding that. I wonder if you could also speak to—I guess there is a NUG going through at Chiblow Lake.

**Mr Lewis:** Yes.

**Mr McGuinty:** I understand that was exempted from an environmental assessment.

**Mr Lewis:** With respect to the implementation of NUGs in the north—70% of the sites are located there—I think there should be some sort of policy or implementation process that takes into account that in some places in the north, especially in isolated areas in the far north, the majority of the population are aboriginal people. Of the opportunities available, in terms of the sites available, there should be a percentage set aside for aboriginal people to develop themselves if they wish to.

Chiblow Lake is a really touchy subject for the Mississauga First Nation. Because it is within the land claim area, the Mississauga First Nation has asked for a legal caution to be placed on developments of any sort. The development of Chiblow Lake runs contrary to the understanding that caution would sort of postpone the development.

In terms of its being exempt from the Environmental Assessment Act, we at the North Shore Tribal Council would like to see some process whereby private enterprise is no longer exempt from the Environmental Assessment Act, either the Environmental Assessment Act itself being amended or some sort of local arrangement, some sort of agreement between aboriginal communities in the North Shore Tribal Council area and the provincial government where those private enterprises must go through environmental assessment.

**Mr Arnott:** Thank you, Mr Lewis, for coming forward to our committee once again. I spent some time this past summer driving up through Elliot Lake and that area. I am concerned about point 12 that you made. You stated that

now that Rio Algom and Denison Mines are going to be closing, there are going to be thousands of acres of mine tailings left behind. Are there any steps that can be taken to minimize the negative environmental impact and do you think the government has an obligation to take whatever steps available?

**Mr Lewis:** I agree fully that the provincial government and federal government both have an obligation to take steps to prevent leakages or whatever types of pollution run rampant as a result of the Elliot Lake mine tailings. I also think the companies themselves should be held responsible for those tailings and that long-term monitoring processes should be put in place, and maybe local people employed to do that monitoring, as unemployment is one of the big issues in the Elliot Lake area.

**Mr Arnott:** What sort of pollution risk is there?

**Mr Lewis:** To my understanding, there is some risk in terms of low-level radiation. It comes in the form of the dust being blown into water and going downstream, being blown by the wind on to plants and eaten by animals, and then the animals in turn being consumed by people and therefore bioaccumulating. There is risk in terms of ingestion of this for people and especially for animals that live in the area.

**Mr Arnott:** The greatest risk is through ingestion of this toxin?

**Mr Lewis:** That is what I understand.

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**Mr Jordan:** Thank you, sir, for coming again to the committee with your thoughts and suggestions regarding Bill 118. Looking to the past and to the future regarding hydraulic development in the north, do you think it is that in the past we lacked communication and did not establish and recognize the rights of the people that is causing the concern about future development? I am wondering about if it was gone about in the proper way, if there was proper communication established. You have stated that the higher-ups of Ontario Hydro have spoken with forked tongue, if you will. The actual field people do not seem to have paid attention. The result is that you as a people are very displeased with Ontario Hydro as a corporation. Can that be turned around through communication and recognition of the social impact?

**Mr Lewis:** There is a possibility, but I think it must be looked at in the very long term. That is why I mentioned in this presentation that cross-cultural education should be the basis for changing some of the attitudes of Ontario Hydro, for implementing processes whereby Indian people have more access to decisions made by Ontario Hydro, as well as employment and development opportunities that could be shared with Ontario Hydro.

In terms of being displeased generally, I would say that Ontario Hydro is a contributing factor to a lot of the social malaise that seems to be rampant in Indian communities in Ontario—just a contributing factor. Indian people from the time of European contact have been conditioned for centuries into accepting negative approaches and into believing that they have no power over their own lives and situations.

Therefore, I would say in that context that they are the most vulnerable and put up the least fight when it comes to megaprojects and developments in the north, especially in the isolated communities.

**Mr Wood:** It is nice to see you have come forward with a brief, as well as the presentation you made to us on January 23. On pages 4 and 5 of your presentation you have raised some concerns I am well aware of as a representative of nine communities made up of aboriginal people from one end of my riding all the way up the James Bay coast: Onakawana, Moosonee, Moose Factory.

I take it from what you are saying that the aboriginal people would like to choose their own people, have more people on the board, have more people as far as decision-making is concerned, have more dialogue with the government as government to government. I have a question that goes back probably over the last 35 or 40 years. When the development was taking place, were very many of your people involved in the construction and the development, driving trucks or one thing or another during the Mattagami construction when they put on Harmon, Little Long Rapids and Kipling or some of the other places, or were they left off to the side?

**Mr Lewis:** I am really not familiar with the area that far north of us. As a general comment, I am of the impression, and I have been told by other aboriginal leaders in the province and read in some literature that it is more the exception than the rule that aboriginal people participate in construction and employment opportunities when it comes to developments like that in their communities and adjacent to areas they live in.

**Mr Wood:** We were talking to Randy Kapashesit last week. In your dialogue, have your people seen a change in discussions in the last 12 or 15 months? Have they found a different relationship with the aboriginal people as far as the dealings are concerned? Has there been more dialogue?

**Mr Lewis:** You are talking about Ontario Hydro.

**Mr Wood:** The government as well as Ontario Hydro.

**Mr Lewis:** I would say there has been a definite increase in—how do you say that—acceptable relations with the government over the past few months and especially since the last election.

**Mr Huget:** I want to briefly touch on one of your recommendations on the last page of your presentation,

that says, "The costing of electricity, said to be calculated at cost, should also include environmental and social costs." As you know, if you have been following the hearings, there is a raging debate about power at cost. You are saying we are not considering environmental and social costs in the current practices, if I understand it right, which means we have power below cost. I would like you to expand on this environmental and social cost issue.

**Mr Lewis:** I was hoping I would not be asked that question. In the demand-supply plan hearings one of the issues being talked about is in the area of costing. They call it, I think, the evaluation of externalities. I have a vague understanding of it. I think you are saying that right now the cost of electricity is below what it actually costs. In the case of hydraulic development, for instance, intuitive factors like aesthetics are not taken into account and valued, and they should be. The effect of disrupting fish habitat is not taken into account. The effect of disrupting feed for deer and that sort of thing is not taken into account and a commensurate value is not placed on it.

There is no comparison. In the demand-supply plan hearings I see in this valuation of externalities that you are trying to place monetary values on intuitive values and things like animals' feed and habitat. Basically it boils down to subjective assessment. Depending on who it is and what value they place on these factors it could be high or low. It seems to me there is no standard approach.

**The Chair:** Mr Lewis, thank you for joining us again.

**Mr Lewis:** Thank you again for allowing me to be here.

**The Chair:** I trust you will keep in touch and we look forward to the next time we have an occasion to exchange views. Those are all the participants we have today. A couple of things remain to be said: We thank Guelph for its hospitality today and the people in Guelph and area for coming out with enthusiasm and interest. I thank Derek Fletcher for joining us, the MPP for Guelph in whose riding we are. It is nice to make sure that Ted Arnott is here as we are in the riding neighbouring his riding.

Barring any other matters, I thank the people on the committee for their cooperation. We are adjourned until tomorrow at 12 noon in St Catharines in the Niagara Peninsula, close to the riding of Welland-Thorold.

The committee adjourned at 2110.

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## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

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Fletcher, Derek (Guelph ND) for Ms Murdock

Conway, Sean G. (Renfrew North/-Nord L) for Mr Ramsay

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Thursday 30 January 1992

## Journal des débats (Hansard)

Le jeudi 30 janvier 1992

## Standing committee on resources development

Power Corporation  
Amendment Act, 1991

## Comité permanent du développement des ressources

Loi de 1991 modifiant  
la Loi sur la Société de l'électricité



Chair: Peter Kormos  
Clerk: Harold Brown

Président : Peter Kormos  
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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday 30 January 1992

The committee met at 1200 at the Parkway Complex, St Catharines.

### POWER CORPORATION AMENDMENT ACT, 1991

#### LOI DE 1991 MODIFIANT LA LOI SUR LA SOCIÉTÉ DE L'ÉLECTRICITÉ

Resuming consideration of Bill 118, An Act to amend the Power Corporation Act / Projet de loi 118, Loi modifiant la Loi sur la Société de l'électricité.

**The Chair:** We are going to be starting in 45 seconds. There are coffee and beverages over there. I am pleased to see that the clerk's request for Canadian beverages has been complied with at least in so far as the grape juice and most of the juices go.

I have explained to my colleagues, who are from all over Ontario including the north, that not even here in the peninsula do we have orange trees. It is remarkable that we would be serving orange juice here in the heart of grape and tender-fruit country, but somehow there is that strange fixation, and even the request for made-in-Ontario product cannot deter the omnipresence of Anita Bryant's favourite beverage.

This is an all-party committee. It is a standing committee of the Legislative Assembly. Among the Liberal representatives, their being the official opposition, is Dalton McGuinty, who is the Energy critic for the Liberal Party. With the Conservative caucus here is Leo Jordan, who is the Energy critic for the Conservative Party. Among the government NDP members is the MPP for Sarnia, Bob Huget, who is also the parliamentary assistant to the Minister of Energy.

We have 30 minutes per presentation. Most people have submitted written submissions and those will become part of the record and made an exhibit. We would like to reserve at least the last 15 minutes of each half-hour period for questions and exchanges, which have proven to be a very valuable source of information and have been very productive as this committee meets.

This is the last day of our travelling about. The committee has been through northern Ontario, Timmins, Sioux Lookout and Ottawa among others and is just completing its southern tour, Kingston, Chatham, Guelph and now St Catharines.

### ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

**The Chair:** The first participant is the Association of Major Power Consumers in Ontario. Would you please come forward, take a seat, tell us who you are and tell us what you will.

**Mr Lawn:** Good afternoon, Mr Chairman and committee members. My name is Jim Lawn and I am representing Quebec and Ontario Paper Co, where I am the

vice-president of finance and chief financial officer. Our corporation is very concerned about the potential impact of Bill 118 and how it will affect the future cost and supply of electrical power and Quebec and Ontario Paper's resulting competitive position in its Ontario operations.

Quebec and Ontario Paper is the sixth largest manufacturer of newsprint in Canada, producing approximately 780,000 tonnes of paper a year. Our operation in Thorold is a leader in newsprint recycling, has been a major supporter of the blue box program in Ontario and is consuming approximately 200,000 tonnes of old newspaper and other paper products now.

Our company employs approximately 3,000 people at its three main operations in Ontario and Quebec. The Thorold mill and its related operations employ approximately 1,000 people.

In 1992 our Ontario operations are planning to consume about 80 megawatts of power at a cost of \$31 million. Electrical power represents 20% of our total Ontario manufacturing costs and is the second-highest cost element behind total labour compensation at 21%.

Before I comment on Bill 118, I would like to take a moment and review the current situation of our industry and our company. The forest products industry in Ontario and Canada is one of the major exporters and employers, making up approximately 13% of total exports of the country. This industry is presently in a recession that has had far more impact than the 1982 recession and many feel today's conditions are similar to those of the 1930s.

Some of the problems facing the industry, such as the collapse of the newsprint prices, are self-inflicted and partially due to normal reduction in demand during recessionary periods. Our industry is trapped in an environment of high interest rates, overvalued dollar and a high tax structure.

Canada's forest products companies are expected to suffer losses totalling \$2 billion in 1991. As bad as this seems, the prospects for 1992 are worse. Instead of bottoming out last year, economic indicators point to a further decline, and I anticipate there will even be greater losses and plant closures in 1992.

Based on this outlook, the equity position of the Canadian forest products industry will greatly be reduced, and in some cases companies will be bankrupt. The Canadian industry is facing declining competitiveness versus the US and other countries and the survival of the industry as we know it is at stake. For the industry to survive in the long term it appears there must be a major restructuring and a change in old business practices.

Investment is required for a number of reasons: modernization, environmental requirements, recycling demands and diversification. To attract capital, we must show investors that we can get a fair return on their investment. Throughout the 1980s we have not.

Price increases on input factors must moderate to achieve a fair return. As a result, wages and salaries must be tied to productivity, government-imposed benefit costs must be contained, and government-controlled sectors like Ontario Hydro have to reduce their rate increases to inflation immediately and below inflation in the future.

Governments at all levels have to be mindful of the critical condition our industry is in when developing new policies that could add to the difficult task ahead of the pulp and paper industry. We ask that government treat all companies the same so that the competitive positions within a province and the country are not artificially changed by government action. We ask that the government contain and reduce spending at all levels so that tax and social costs borne by industry do not add to our competitive difficulties.

To address Bill 118: There are three elements in the proposed amendments to the Power Corporation Act which Quebec and Ontario Paper feels should be addressed: the importance of maintaining the principle of power at cost, the removal of the directors' obligation to act in the best interests of Ontarians when the government uses its directive power under the act, and the provision which permits Hydro to promote switching to alternative fuels.

First, power at cost: One of the three major factors that established Quebec and Ontario Paper in Ontario was the supply of reliable power at cost. As a result of this principle, Quebec and Ontario Paper has operated in Ontario for almost 80 years, contributing to the economic growth and the quality of life in the province and in the region of Niagara.

Quebec and Ontario Paper is very troubled with Bill 118's proposal on the policy directives to Ontario Hydro that do not relate to the principle of power at cost. The recent action by Ontario Hydro to deal with the Elliot Lake and Kapuskasing issues at the government's request is a clear breach of this principle. These are social issues that the government of the day felt needed financial support and should have funded out of the general revenues, not at the expense of the Hydro ratepayers. These two actions alone could cost the ratepayers \$500 million.

It is important that Ontario and the industry in the province continue to enjoy power rates that provide a competitive position. Without a reliable, economical and environmentally sound supply of electricity our company cannot promote new and continued investment which would allow us to maintain employment at current levels. Unless the government and Ontario Hydro recognize the need to focus on the economic interests of the province by maintaining power at cost, unencumbered by the inappropriate burden of social policy initiatives, there is a serious risk that our company will not expand and will look to new investments outside the province.

The Q and O mill in Thorold is one of the most energy-efficient mills in North America. Even with this, power is our second-largest cost element, and with rising rates Ontario Hydro no longer supplies power at competitive rates. Because of Ontario Hydro's rate structure and the province's policies, Q and O would not build a new operation in Ontario at this time.

Second, directors' accountability: In the past, Ontario Hydro's board had been a sobering second thought in the face of any government directives and considered it its duty to protect the interests of the ratepayers. Bill 118 relieves the directors of this responsibility because a director must comply with the government's policy directives. We feel this does not constitute a more open policy directive process as claimed by the Minister of Energy.

Third, fuel switching: Bill 118 fails to address the key problem, that of reducing total energy used by focusing only on electricity. To remain competitive, Q and O had to move away from a very labour-intense, high fossil fuel cost structure, plus an environmentally unsound process. As a result, the mill was rebuilt in the 1980s, resulting in the lowest costs and one of the most environmentally sound mills in Canada. But our electric consumption per tonne of newsprint increased 30% after that rebuild. Since that rebuild, Q and O has reduced its energy power consumption by 19% through many capital projects, but the new mill still consumes 10% more electrical power than the old mill.

The government has been motivated to encourage fuel substitution. As a result, it could save over 700 megawatts of electricity. Q and O feels the government should not intervene in the market by adding artificial incentives that are not good for the province's long-term economy or environment.

I would like to thank you for your time and would like to emphasize that for Quebec and Ontario Paper to remain competitive and to continue to employ at the current levels, it has to be able to buy reliable electrical power at competitive rates. In my view, the policies of the government and the direction of Ontario Hydro can only reduce electrical power consumption by sacrificing the competitive position of industry. This loss in competitiveness will result in a reduction in growth and closure in some cases. Bill 118 is unnecessary and for the economic good of the province it should be scrapped. Thank you.

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**The Chair:** Thank you, Mr Lawn. We have 18 minutes in total. Mr McGuinty, please.

**Mr McGuinty:** Thank you very much, Mr Lawn, for your presentation. I found it very interesting. You painted a picture in a very graphic manner as to how businesses do not any longer operate in a vacuum. Dealing with global markets and competition from across the borders are now a major factor.

You mentioned that one of the three major factors that established your corporation in this province was the supply of reliable power at cost. What were the other two factors?

**Mr Lawn:** You have to remember this is back in 1913 and it was the fact that in this area there was a labour force already because of the building of the Welland Canal and there was an infrastructure here. The town of Thorold was well-established. Wherever else we looked throughout the province we would have had to build the community itself.

**Mr McGuinty:** Many people who are seeing us and are proponents of Bill 118 or are advocates on behalf of the provisions contained within the bill tell us that the net

result at the end of the day is that Hydro is going to be more accountable to the people of the province, to the government. You have raised a concern I have, and that is, what are we going to do with the board of directors? In particular, what is their function going to be and why do we have to have a provision contained within the bill that absolves them from liability only if they do as they are told?

We saw how this government has already operated through the actions taken at Elliot Lake. The government directed Hydro to proceed in a certain manner and the logical inference from the paperwork I have obtained is that Hydro's directors felt it was not the right way to proceed. The government was able to proceed with its directive by absolving the directors from liability. If I was a shareholder in your corporation and you told me your directors were going to be absolved from liability in certain instances, how would your shareholders react to that kind of pronouncement?

**Mr Lawn:** They would obviously wonder why the board of directors is there and what role it truly has. As a shareholder, I would be very concerned about who was looking after my best interests if it is not the directors I appoint to the board through normal election processes. This is the problem we are concerned about, the lack of accountability of Ontario Hydro. Although it has said it is accountable to the government of the day, that is such a large vehicle and has many different interests. Ontario Hydro is a corporation whose responsibility is to produce power, and that is how it should be managed, as that type of a corporation, not a government agency.

**Mr McGuinty:** This business of the policy directive, as well: People are saying it is going to make Hydro more accountable to government, but in fact it will be a discussion among a few of the elected representatives who happen to be in cabinet. The Elliot Lake directive, for instance, was not discussed, to my knowledge, in the government caucus generally. It was simply handed down on stone tablets after the fact. I had no opportunity to give any input either on behalf of my 65,000 constituents or as Energy critic for my party. So I fail to understand how this policy directive provision is going to make Hydro more accountable to the people of Ontario through government.

**The Chair:** Do you want to respond to that?

**Mr Lawn:** In both of those instances you quoted, Elliot Lake and Kapuskasing, this is the concern we have, that the government is dealing with social issues through the utility. I personally do not and our corporation does not have a comment on Kapuskasing as far as needing financial support. Everything should be done to help communities, but we do not think it should be done through the ratepayer. As a corporation, I do not think there was any obligation to do what was done.

In the Elliot Lake incident, again that actually comes back to a point that I commented on—that is, government interfering in an industry's action and it has now tilted the competitive position unfairly. If we as a corporation were going to do a major project somewhere, would the Ontario government give us the waiver on an environmental as-

essment of any plant we did? Not likely. We are a corporation that has spent hundreds of millions of dollars keeping our facilities right up, top-notch. As I said, the mill in Thorold is probably the lowest-cost—if not, the second-lowest-cost—mill in Canada. But the mill in Kapuskasing was allowed to deteriorate to a point by its owners and investors, and at the end the government comes in and helps it. That is an artificial thing that has really hurt the competitive position of our industry now.

**The Chair:** Very briefly, Mr Cleary.

**Mr Cleary:** Thank you for your presentation, Mr Lawn. Coming from an area where we too have a paper company that is striving, I really appreciate your presentation. You said you had taken advantage of many energy-saving projects by your company in the past. Do you have any flexibility to take on any other energy-saving projects?

**Mr Lawn:** We are currently working very closely with Ontario Hydro to reduce our consumption of electricity by almost 10%. In doing so, we will also increase the output of our recycled-paper mill. Right now about 57% of our newsprint comes from recycled content. That will move that up to 75%. So not only are we going to do something that helps on the environment side as far as the old newspapers; we are also greatly going to reduce the consumption of electricity, not only the pure consumption, but moving a lot of our consumption of electricity to the off-peak hours at night. This project is before Ontario Hydro right now through its incentive grant process.

**The Chair:** Thank you. Mr Jordan, and I am going to leave some time for Mr Arnott.

**Mr Jordan:** Thank you, sir, for your presentation and your concern over Bill 118. I am going to start with your conclusion: "Bill 118 is unnecessary, and for the economic good of the province it should be scrapped." That happens to be not only my personal view, but the view of my party on this particular bill from the time it was introduced in the House in June 1991. My concern is that we are moving too quickly, for one thing, to try to turn the ship around from a nuclear base to a conservation base. I am wondering, if we table Bill 118 for the time being and establish a task force to look into an overall energy policy for Ontario—would you comment on that?

**Mr Lawn:** Anything that would delay the implementation of Bill 118 I could not only support but agree with. I do agree that as an industry what we are finding is that you set the playing field here and government, on an ongoing basis, just keeps on tilting that, changing the rules we are playing by. As a result, the social costs or the benefits or the cost of the product we are buying are changing beyond our power. What we would like to see is some stability; do not change the rules.

1220

Ontario Hydro has been operating for a long time, longer than our corporation has, in providing very reliable low-cost power in recent years through a number of situations that I would not say are all Ontario Hydro's fault. It was partly that of the government of that day, which changed policies, and it has become, I think, very cost-inefficient, to the point where Ontario Hydro now has the second-highest

cost of producing power in Canada and is comparable to some of the states.

I think this should be tabled and a committee should be formed to look at the cost structure within Ontario Hydro and take a real hard look at it, not only the way it is managed but also its own cost structure. I think that would help the province and industry a lot more than Bill 118 would.

**Mr Jordan:** There was \$7 million on this lightbulb program to the householder. It was advertised as being in conjunction with and with the approval of your local utility. Our experience across the province has been that the local utilities were in fact not part of the consultation for this program. This was strictly an Ontario Hydro and perhaps a government-oriented program; we are not sure of its origin. But with the cost of \$7 million, another \$6 billion earmarked for conservation and a debt with Ontario Hydro apparently growing, it would not appear to us that this is a sound business approach to solving the energy problem of the future.

**Mr Lawn:** I agree on the lightbulb issue. That is an easy one. That will, I think, save about \$3 million of electricity. It will only save \$7 million if everyone goes out and tries to find those lightbulbs that have the same wattage in them. I know that I changed my 54-watt bulb from that package that burnt out and put a 60 right back into it. So if I am normal, there is going to be no return on that project. I think this was not properly thought through and probably not properly researched.

There are other programs at Ontario Hydro that are going on right now, projects like our own that they are working through, where I think the incentives may pay off well for Ontario Hydro and the province long-term. I agree with you that it looks like there are some that are shot out there very quickly. They get a lot of publicity. They are not thought through. We are grinding away on other ones very slowly.

I was just going to finish there.

**The Chair:** Wrap it up.

**Mr Jordan:** Okay. Given the fact that we are in a serious recession, as you said, almost in comparison with the 1930s, we really should not be doing anything that is going to add to the cost of power at the present time, because demand is dropping for the requirement. What we should be doing is projecting what we are going to do as the province spins out of this recession and how we are going to be prepared to meet it with the supply of energy as we have in the past. That is why I was glad to hear you say, "Table the bill, do some studying and get some direction on energy policy for Ontario." Thank you very much.

**The Chair:** Like Diogenes with his lamb, Mr Jordan has been carrying these bulbs across Ontario for three weeks now.

**Mr Lawn:** Is that where I can get a 54-watt lightbulb? From him?

**The Chair:** You have one right here. When he is finished with them, he may as well send them to you.

**Mr Arnott:** I just have one question. I am impressed with your brief. Would it be an exaggeration to suggest that those 1,000 jobs at Quebec and Ontario Paper Co may be jeopardized because of Bill 118 and the general energy policy of this government?

**Mr Lawn:** I do not think any company can sit before you and say that one action of the government would jeopardize 1,000 jobs. What this is and why I am here today and why our corporation is very concerned is the thousands of things. We do not know which one is going to be the straw that breaks the camel's back. As I say, we keep on getting things that interfere with our competitive position. The reason we were here was because of power. It was very competitive. We had disadvantages in a number of other things we dealt with, but now all our advantages are going away and all we are going to be left with are disadvantages.

So this one policy probably will not do it. I am not sure which one will, unless this one will, but unless we stop changing and put a hold on things, industry will be leaving this province. I know we will not build another facility here right now under this economic and political environment.

**The Chair:** Mr Dadamo, and leave some time for Mr Huget because he is the parliamentary assistant.

**Mr Dadamo:** I always do. Mr Lawn, good to have you here this afternoon in St Catharines. Something caught my eye on page 1. You are talking about spending at least \$31 million for 1992, 80 megawatts of power. You also say it is the second-highest cost element behind total labour compensation of 21%. Not that the government or Ontario Hydro would give the money back, but are there any plans at this time, when electricity is so expensive, to trim that figure, or is this low at best?

**Mr Lawn:** This is low at best and I think one of the fallacies out there is that industry is fat and consumes power. We constantly look at it. As I said later on in my brief, when we converted our mill and made it a very modern mill, we actually consumed 30% more power in the new mill because of the process. Since that time, we have reduced the number by 19% and we are constantly reducing that number. As I said, we have another project before Ontario Hydro that would reduce the power by between 7% and 10% more. But other than shutting the doors and shutting the mill down, we cannot reduce power.

**Mr Huget:** Thank you, sir, for your presentation. It is very comprehensive, and I should compliment you and your company for your efforts in energy efficiency and conservation. I hope you continue with that because I think it is very important.

You mentioned on page 3 of your presentation that rate increases should be held to the rate of inflation immediately and to below inflation in the future in terms of hydro rates. I wonder how you would propose we do that when you look at this year's rate increases. A large portion, almost half of that rate increase, is attributed to the first costing in of the Darlington nuclear station, a huge supply project. How can we reduce the rates increases to inflation, bearing in mind that we have to pay for those decisions that were made in the past? If there is a difference between

the rate you would like to pay and the rate we have to recover to pay for those huge generating projects, who is going to pick that up?

**Mr Lawn:** When I say we have to reduce it immediately to inflation, what I am saying is that through a number of actions such as cost restructuring, relooking at Ontario Hydro—as I understand it, it has the highest administration cost of anyone in the province. We all understand that you have to invest capital and someone has to pay for that, but what we see is continuing increases in Ontario Hydro's rates way beyond what we would ever anticipate, even with additional capital.

I am not foolish enough to think that we could reduce the rate to inflation next year, but I am thinking that long-term, that is what it has to do. Ontario Hydro has to get back under control and be able to manage its process and know what is going on. It should have had rates well below inflation many years ago while these capital projects were not coming on, but it did not. It kept on having inflationary and above-inflationary rate increases. Now, when the capital comes on, that is added on top of that burden.

**Mr Huget:** It is a difficult dilemma, because the Dartington factor alone is greater than the rate of inflation. It is a difficult situation.

I want to go back to Elliot Lake and that issue. You mentioned in your presentation that Elliot Lake was a social issue and should not have been dealt with the way it was and that Hydro ratepayers should not have paid for it. I want to get your counsel on whether or not there was government interference and tilting of the market, as you refer to it, with Elliot Lake, and tilting of the market when the uranium contracts were signed in Elliot Lake that meant ratepayers, through their power rates, paid several times the world rate for uranium. That is the situation we were in in Elliot Lake. I wonder, if Elliot Lake assistance was a misdirected use of funds, was the signing of contracts that allowed for uranium at several times the world price, which is a fuel penalty, a misdirected use of Hydro funds as well?

**Mr Lawn:** Yes, I would agree with you. The initial contracts, if you are paying more than the market rate—that market may not be at the spot rate, but market rate for long-term, you were subsidizing, and it was not the proper thing to do.

**The Chair:** Mr Lawn, all of us thank you and Q and O, as well as the association, for taking time to be here this afternoon. This is the first time the paper industry has been represented at these hearings, and you have provided us—

**Mr Lawn:** There was CP.

**The Chair:** I had asked the clerk because I did not want to err, and there it goes—the first time in southern Ontario. That is what I meant to say.

**Mr Lawn:** There are not many of us in southern Ontario.

**The Chair:** The record, once it is transcribed, will undoubtedly show that we have heard from paper manufacturers. It is an insight that is unique. Everything you have

said about Q and O I confirm in terms of its efforts along with, I will say it again, the commitment of the people who work there, the women and men who make that plant run, make it a valuable asset to the province. We appreciate your coming here and appreciate the input.

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#### CONSUMERS' GAS

**The Chair:** The next participant is Consumers' Gas. I have to tell you people before you start that we have heard—numbers will follow me up every time—at least twice from your colleagues from Union Gas. Why I mention that is because you may want to get down to the nitty-gritty. I suspect some of the common ground you have with Union Gas on the broader issues has already been covered. We would really appreciate the chance to ask questions and engage in some exchanges.

**Mr Howes:** Not really knowing what was in the Union Gas presentation, I am afraid I will proceed with my text.

**The Chair:** Do it any way you want, sir.

**Mr Howes:** Good afternoon, ladies and gentlemen. My name is Jim Howes, general manager, Niagara region of Consumers' Gas. Joining me today is Art Adams, our regional sales manager. We want to welcome you to the historic Niagara region and thank you for the opportunity to appear before the standing committee on resources development as it considers Bill 118, An Act to amend the Power Corporation Act.

As the committee has heard many times over the last three weeks, natural gas represents one of the most cost-effective means of meeting our energy needs. The natural gas industry plays a major role in the provincial economy and helps fuel local economies, providing a safe, secure supply of low-cost energy to the public.

As the cleanest-burning fossil fuel, natural gas can play a major role in improving the environment. When used in place of other more polluting energy sources, it serves to minimize some of our most serious environmental problems, such as urban smog, acid rain and global warming.

Because of the economic and environmental benefits, natural gas is the fuel of choice for many enterprises, institutions, industries, homes and key tourist attractions throughout the Niagara region. We firmly believe this abundant and versatile fuel can play a more significant role in meeting our energy needs in the future. As such, Consumers' Gas seeks to put forward its view to the committee on the concept of fuel substitution, one of the key issues addressed by the government in Bill 118.

In particular I want to address the following areas: first, the role of natural gas in the Niagara region; second, fuel substitution and its economic and environmental benefits; third, some of the initiatives undertaken by Consumers' Gas to encourage greater efficiency and conservation; finally, how Consumers' Gas is well positioned to meet any increase in demand for natural gas resulting from fuel substitution and Bill 118.

The Niagara region of Consumers' Gas provides a range of services to more than 123,000 customers. As the

attached map shows, the distribution area extends to customers in the 12 municipalities within the regional municipality of Niagara, which includes the major communities of St Catharines, Niagara Falls and Welland.

After 24 years at our Church Street location in St Catharines we recently centralized our administrative, sales, engineering and warehouse services at new regional offices located in the Brock Business and Industrial Park in Thorold, in the heart, I might add, of the beautiful provincial electoral district of Welland-Thorold.

Natural gas has been available in this region since 1889, when it was first discovered in Bertie township, which is now part of the town of Fort Erie. Although most of the natural gas is now supplied from western Canada, several local gas wells are still in production.

Today many different enterprises in the region use natural gas for such energy needs as space heating, water heating, cooking or manufacturing processes. Indeed, natural gas is important to many market sectors that are unique to the Niagara region. We supply natural gas to eight major paper producers, including the large newsprint recycling mill of Quebec and Ontario Paper, which is located in Thorold.

The greenhouse industry is important to the local economy and over 150 growers use natural gas to grow a wide variety of flowers that are shipped to national and international markets. It should be noted that Westbrook Greenhouses in Grimsby not only uses natural gas to heat its growing facilities, but natural gas is also used to fuel its cogeneration plant, which generates 0.5 megawatts of electricity. Heavy industrial customers such as General Motors, Atlas Specialty Steels and Stelpipe use natural gas extensively in the manufacture of a vast array of high quality and cost-competitive products.

The availability of economical supplies of natural gas is also important to the success of the tourism industry, especially in the communities of Niagara Falls and Niagara-on-the-Lake, as many key attractions and enterprises use natural gas in heating, water heating or food preparation. In addition, natural gas is helping the Niagara-based wine industry at such wineries as Brights and Inniskillin to produce high-quality, world-class wines.

Consumers' Gas itself contributes in several other key ways to the economic stability and growth of the Niagara region. In fiscal 1991 we paid \$3.1 million in local and municipal taxes and \$13.4 million in wages and benefits to local employees.

The conflicts in the Middle East in the middle to late 1970s and the corresponding oil supply shortages and dramatic price increases caused many of us to rethink our energy strategies. Most of us understood that we had to take some of our eggs out of the oil basket, begin investigating different energy alternatives and get serious about energy conservation and efficiency.

During that time the federal government provided financial assistance, stimulating the substitution of natural gas for oil in both existing and new markets. This was an early, successful example of fuel substitution and it had an important economic benefit for many businesses and citizens in the Niagara region. This kind of activity enabled the

company to provide natural gas service to over 95% of the residential dwellings and over 94% of commercial businesses in the Niagara region.

Our rate of growth in the Niagara region in recent years has been approximately 2,500 customers per year. Recently there has been a noticeable increase in the capture rate and requests for conversion from electricity to natural gas. Much of this may be attributed to the difference between natural gas and electricity prices and, in particular, some concern by electricity customers about the prospects of double-digit rate hikes over the next few years to pay for existing generating facilities. In our recent residential fall heating campaign 44% of our leads were received from electrically heated homes.

Over the course of the 1980s environmentalists began to demonstrate that our ever-increasing demand for energy of all forms was taking a huge toll on our environment as well as our pocketbooks. Once again energy conservation and efficiency were cited as key means of reducing the negative environmental impact associated with the use, production and transportation of energy.

Today many energy industries and governments have taken these lessons of recent history to heart and begun to entrench the ideas of conservation and efficiency in both corporate and public policy. Certainly this is true of the Ontario government, which has recognized that balancing energy demand and supply is central to achieving gains in conservation and efficiency. One of the ways this government is trying to foster the wise use of energy is by pursuing a policy of fuel substitution.

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The very nature of gas and the fact that energy is released from natural gas at the point of use makes it efficient. In fact, natural gas is more than twice as efficient to use as electricity when production, transmission, distribution and end-use losses are all considered.

Today fuel-switching savings are already being realized in public housing facilities across the province. Many of these public housing units subsidized by the Ontario government, however, still use electric-resistance heating. Ontario's natural gas utilities are working closely with the Ministry of Housing and the Ministry of Energy to convert the existing electric heaters in social housing facilities and to ensure that all new facilities use natural gas. As well, a program offered by the natural gas utilities finances capital costs for conversion to gas using the energy cost-savings resulting from these conversions.

In terms of how fuel substitution will impact on Ontario Hydro, it is very simple: When the electric utility encourages the use of natural gas over the use of electricity for targeted applications, it will save megawatts and simultaneously decrease its electrical load. This serves the best economic interests of both Ontario Hydro and electricity consumers because by decreasing its electrical load Hydro can successfully defer the need for new, large and very costly electricity generating facilities. It will also benefit society generally through reduced energy costs and reduced emissions from energy consumption.

Fuel switching will ensure that consumers will continue to have their energy needs met, and in a more efficient way.

In addition, the activity of energy substitution will provide a much-needed economic stimulus to Ontario manufacturers and the construction sector. There are environmental benefits whenever and however energy is saved. Producing and using natural gas is not without environmental impact. But given our present situation and the unique qualities of natural gas I described at the outset, including significantly lower carbon dioxide, sulphur dioxide and nitrogen oxides emissions than current electricity sources, it is widely recognized that natural gas can and does play a significant role in combating some of our most serious environmental problems.

As I indicated earlier in my remarks, the overall trend towards the more responsible use of energy resources started in the 1970s. Certainly you can trace our commitment to the wise use of energy back to this period. Recent public and government focus on the concepts of sustainable development and environmental protection are not new to Consumers' Gas. Our company mission and goals specifically state that the company will promote the use of natural gas as an environmentally preferred fuel and continue to invest in the development and demonstration of technologies to improve its efficient utilization.

Consumers' Gas has been involved in the research, implementation and communication of energy conservation and efficiency measures for many years. As a responsible corporate guardian of a non-renewable natural resource, the company takes its role seriously. Indeed, we have been able to use our high profile in the community to serve as a role model for efficient energy use and to educate our customers and the public about the benefits and how-tos of energy conservation. Company research, products and services are all directed towards achieving optimum energy efficiency. Our regional utilization advisers are always ready to assist managers of institutions, enterprises and industries to reduce energy costs, enhance productivity, operate more efficiently and learn about new technologies and equipment to meet various needs and requirements. For example, we have assisted a local manufacturer of vehicle wheels to improve the combustion efficiency of aluminum melting furnaces. This improvement has paid off in greatly reduced aluminum scrap losses, fewer product losses and better product quality.

I am sure the members of this committee will not have failed to notice that my remarks today indicate clearly Consumers' Gas's support for fuel switching. Ultimately fuel substitution will benefit the gas industry in Ontario. But more important, it must be judged as in the best interests of the Ontario public because, as I have demonstrated, it will bring significant economic and environmental advantages to the people of this province, this government and Ontario Hydro.

We support fuel substitution and the switching from electricity to natural gas only where it is economic to do so. Within the communities of the Niagara region, where we currently distribute natural gas, there are electrically heated homes and in some cases subdivisions where all the homes are electrically heated. Currently we estimate that there are 1,500 electrically heated homes in the Niagara region. We are fully prepared to handle the expansion of

our facilities to serve these homes when we can meet our economic feasibility. However, our ability to serve these electric subdivisions could be advanced, depending on the passage of Bill 118 and on how Ontario Hydro will manage its fuel substitution resources.

Our history of residential conversion indicates that substantial inertia from the point of economic savings is required to cause the customer to change to a different energy source prior to the total failure of his current heating equipment. There is no question that the current differential on energy prices would appear sufficient for the conversion from electricity to natural gas to take place. However, the conversion to natural gas could be greatly speeded up by assistance in the expansion of the natural gas distribution system to those streets and subdivisions where it has not been cost-effective to lay gas mains to date, basically due to the large percentage of electrically heated dwellings.

Let me conclude by assuring the members of the committee that Consumers' Gas is well prepared to accommodate an increased role for natural gas in the Niagara region economy. There is an abundant supply of natural gas in Canada. It is competitively priced and there is an excellent pipeline system in place to secure the delivery of a greater volume of gas to our market area.

Specifically on the natural gas pricing issue, which I understand has been raised a number of times over the course of these hearings, Consumers' Gas is forecasting that real prices for long-term firm gas will remain flat at current low levels until 1996 and rise slowly to 1999 because of a large North American supply and deliverability surplus. Prices are not expected to rise because it will take at least until 1995 to work the Canadian supply and deliverability surplus down to a more reasonable level.

Perhaps more important, in the United States a large new supply source, coal seam gas, is coming to the market. Two characteristics of this source will work to keep prices from rising. Exploration, development and production of coal seam gas is being stimulated by a US tax credit for production until the year 2003 from wells drilled by the end of 1992. In addition, I understand that once a coal seam gas well is on stream, production cannot be interrupted or the substantial front-end investment in water removal equipment will be lost. As a consequence, coal seam gas will aggressively compete for available markets until expected demand increments materialize in the late 1990s. This competition will be particularly strong in the California market and therefore will directly impact on Canadian gas prices.

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We have the expertise, supply and service capability to meet the needs of both existing and new customers seeking a clean-burning, economical fuel and energy-efficient equipment. In the Niagara region we have a staff of 300 employees and an infrastructure in place where all main and service construction is completed by either Consumers' Gas staff or contractors. All furnace and other appliance installations are completed by over 100 authorized dealers in the Niagara region, and service work to

these appliances is performed 65% by employees and 35% by service contractors.

In the future we intend to work closely with the government, Ontario Hydro, our customers, the environmental community and all other interested parties to meet our energy needs in a cost-effective, environmentally friendly manner. Once again I want to thank the chairman and members of this committee for the opportunity to submit our perspective on some of the important energy and environmental issues facing our province. We would be pleased to answer any questions you may have of my presentation.

**The Chair:** Thank you, sir. Mr Arnott, three minutes.

**Mr Arnott:** Thank you, Mr Howes, for your presentation. This committee has heard presentations across the province for the past three weeks now. I do not think anyone disputes the fact that energy efficiencies should be a very high priority of this government and future governments and that fuel switching has many benefits, but for the life of me I still do not understand why Ontario Hydro customers and ratepayers should be asked to pay for fuel switching. I think it is fairly obvious that the gas companies in Ontario are going to realize an enormous benefit as a result of Bill 118 if it is passed. I just do not understand why they should not be asked to pay for part of the fuel switching at least, if not all of it.

**Mr Howes:** I think that if you look at our existing feasibility guidelines, we cannot expand our plant to add additional customers unless the revenues from those customers support that expansion.

**Mr Arnott:** Because you want to be fair to your existing customers?

**Mr Howes:** Those are the guidelines we have. As you know, we are a regulated utility and we must abide by those, so our current natural gas consumers will not be subsidizing that expansion. We think fuel substitution does make a great deal of sense, though, and it makes sense to Ontario Hydro. We think we can work with Ontario Hydro to help alleviate some of the problems it has. They do have a very serious demand-supply problem, and we think we are part of the solution.

I should add that within the Niagara region we are very fortunate in the fact that we have fostered a very good working relationship with our colleagues at Ontario Hydro. We see that relationship becoming even stronger in the future.

I think it is a win-win situation. I think it is a win situation for Ontario Hydro and ultimately for the electrical consumers as well.

**Mr Arnott:** I understand—

**The Chair:** Mr Arnott, I have to cut you off because Mr Jordan wants to ask a question too.

**Mr Jordan:** Thank you, Mr Chairman, and thank you, gentlemen, for your presentation this afternoon. I was interested in your report here that: "...an important partnership agreement was established among the gas industry, the Ontario Ministry of Energy, the Ontario Home Builders' Association and Ontario Hydro. Through the new provincial energy-efficient housing program (R-2000), natural gas

appliances such as high-efficiency furnaces, water heaters and gas fireplaces, along with outlets for other natural gas appliances, will become requirements when an R-2000 house is built in a gas-serviced area."

I was wondering when this agreement was drawn up and on what authority or what ministry. Is it a regulation of the government, or how is that controlled?

**Mr Howes:** I wish I could respond to your question. I really do not know the details behind that agreement. Maybe my colleague Mr Adams may have the answer to that.

**Mr Adams:** I can only tell you, sir, that it is a very recent agreement and it came through the Ontario Natural Gas Association. I am afraid I cannot give you any more details than that. It is so new that we only recently got that information ourselves.

**The Chair:** Perhaps, Mr Jordan, Mr Huget can regard that as a question of the ministry.

**Mr Huget:** Noted.

**Mr Jordan:** Thank you very much.

**Mr Waters:** I am going to ask a couple of questions and I will get you to respond at the end. That way my colleague at the front cannot cut me off.

**The Chair:** Just watch.

**Mr Waters:** Ah, have a heart, Peter.

You talked about the industrial and residential, and we have heard from the Toronto board—it is talking about switching 32 of its schools—that it needs assistance to switch. I think the average person, the ratepayer out there, does not really care where the savings come from. The savings per year are \$1.76 million on those 32 of 654 buildings, and I would ask, in that respect, is there a lot more that could be switched over to gas in the area than what is at present?

Also, I am curious about the expansion and the benefits you give now. I understand that Union Gas, as well as other gas companies, gives incentives to people to switch at the present time. Most gas companies have deals in the fall and the spring. If we subsidize for the rural people or anyone else, are you going to pull those deals back?

**Mr Howes:** I am glad I have my sales manager with me, because he is the one who comes up with the campaigns to try to stimulate sales.

**Mr Waters:** In other words, if Ontario Hydro is going to subsidize, are you going to continue to assist people to go on, or are you just going to let Ontario Hydro do it all?

**Mr Adams:** Our incentives right now I think would be aimed at a different market than the one I understood Hydro was directing to. But just to answer the first part of your question, sir, we have, as Jim has already mentioned, about 95% penetration. We would expect that we could conceivably pick up somewhere in the area of 330 non-customers on main in the commercial-industrial sector. If everyone converted we could only pick up about 5,200, 43 of which are on main and 900 are not even covered by main. There is not a tremendous amount left for us to pick up down here. I do not think we have thought through the idea of where the incentives would come from at all. If this

bill were passed, then I would think we would not need to offer incentives.

**Mr McGuinty:** Gentlemen, thank you for your presentation. I want to—

**The Chair:** Excuse me. I know you wanted to ask a question, Mr Klopp, but Mr Waters clearly asked the question you wanted to, because he used your time. Go ahead, Mr McGuinty.

**Mr McGuinty:** I want to do something I did yesterday when another gas utility was before us. I might add, by the way, that I am a very satisfied Consumers' Gas customer.

I want to assume the role of a cynical consumer. You see, in the early 1980s the federal government told me it could not give me any guarantees with respect to price and supply of oil because of things going on in other countries which were outside its control, so it used my tax money to pay me to get off oil on to electricity. Hydro told me I could "Live better electrically," so I went with Hydro, and now I have learned that electricity is very expensive, and furthermore it is not a good thing for the environment. Now Hydro, if this bill goes through, if you can believe it, is going to pay me to go back to oil. I am not so sure I want to go back to oil, for the same reasons I got off it in the first place, so you are telling me, "Come on down to gas."

When I think about gas, I am concerned about the kind of guarantees you can provide with respect to price and supply. I am concerned about this free trade agreement I hear people talk about it, and it is my understanding that under the provisions of the free trade agreement Alberta does not have to give us in Ontario here any kind of preference with respect to price or supply vis-à-vis the American market. I read a couple of days ago in the *Globe* that there is a new line opened up that is going to serve New York, Connecticut, Massachusetts, New Hampshire, New Jersey and Rhode Island. So I am wondering, should I be switching to gas, and what kind of guarantees can those gas people give me?

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**Mr Howes:** Maybe I will try to respond to that. I think when you get into forecasting what is going to happen five, 10, 15 years out, that is pretty chancy. I can take you back 10 years ago and compare the price for natural gas 10 years to the price today. I think you will find it is basically the same. The price has not increased.

If you look at the current oversupply of natural gas in western Canada, there is a lot of shut-in gas because there really is not any market and the market is very depressed. We see new technologies bringing supplies of gas into the United States market. I mentioned coal seam gas. That takes place in the New Mexico-Colorado San Juan basin, and my understanding is right now they can deliver one trillion cubic feet of gas, principally to the California market, which is one of the big markets for western Canada producers. The potential is quite considerable from that one area alone.

We did talk about forecasts of prices and we did say that between 1992 and 1995 we do not see any major increase in prices at all; maybe inflationary prices but per-

haps not, because of the soft market. We really do not see any increase until 1995, and we are looking then at a 1% per year increase and inflation added as well. For 2002 and beyond our forecast is 4% per year plus inflation.

I should say that we have long-term supplies, long-term contracts with producers in western Canada, and that certainly will ensure us of security of supply and I do not think we need to worry about that. The activity of exploration in western Canada has cooled considerably because of that oversupply situation. I think once the market picks up in California and south of the 48th you will see increased activity.

Your question is a good one: Can we guarantee that the price for natural gas will remain at its current levels? No, I do not think we can give you that guarantee, but we do not see a substantial increase in natural gas at least for the next decade.

**The Chair:** Mr Howes and Mr Adams, I want to thank you and Consumers' Gas for taking the time to come here this afternoon. It has been an issue that has attracted a wide range of opinion, as you can well imagine. We have been listening to people across the province. Yours has been a valuable input into the process. We trust you will keep in touch, and I tell you and others who are here that of course the transcript—this is Pat Girouard who is here from Hansard. This will be turned into a Hansard publication and a transcript of not only today's proceedings but the whole proceedings of the investigation into this bill will be made available to you or anybody simply by calling your MPP's office or any MPP's office. That of course is free of charge and anybody who wants that can get it as of right. I welcome you to call in for it.

#### NIAGARA FALLS HYDRO ELECTRIC COMMISSION

**The Chair:** The next participant is the Niagara Falls Hydro Electric Commission. Gentlemen, here we are about a proverbial stone's throw from Sir Adam Beck. Tell us who you are and tell us what you will.

**Mr Hanna:** My name is Bob Hanna, currently chairman, Niagara Falls Hydro Electric Commission.

**Mr Hostick:** My name is George Hostick, the general manager-secretary at Niagara Falls Hydro.

**Mr Hanna:** Mr Chairman and members of the committee, it is with great pride that I present this submission to you on behalf of the citizens of the city of Niagara Falls, where the name Sir Adam Beck is as familiar to many as that of their neighbours.

In Niagara we are ever-mindful of the proud history which surrounds the generation of electricity in our province. It was with the leadership of such men as Mr E. W. Snider and Sir Adam Beck that a power commission was founded in 1903 under a bill giving cooperating municipalities the right to transmit power from Niagara with the understanding that the government would accept no financial responsibility in this matter.

The matter of public power was a political issue in 1905 when Sir Adam and all of his followers fought so hard for this concept of power at cost rather than profit-seeking private interests. I feel that all of these great leaders and

politicians who fought so hard for this concept must surely be spinning in their graves in light of some of the proposed amendments to the Power Corporation Act contained in Bill 118.

It is the recent performance of the government which causes such great concern to be raised on this issue. The guaranteed purchase of future uranium supplies at Elliot Lake is a decision which will cost the ratepayers many millions of dollars. This decision alone was bad enough; however it was then terribly compounded by the order to have Hydro contribute \$65 million to the northern Ontario heritage fund. What is the relationship between the cost of supplying electricity and this expenditure?

The Kapuskasing directive is another recent activity which is very difficult to understand. Hydro has been directed to supply free power to the Spruce Falls mill over the next 10 years and compelled to purchase a dam for \$140 million which may or may not be usable depending on an environmental assessment and finally to provide power credits which could add up to another \$34 million. None of this directive reflects the cost of power expenditure but rather a social expenditure payable by all the taxpayers of this province.

We agree that the government and all the taxpayers of the province have a responsibility to assist these communities and their citizens. This assistance should be in the form of a tax applied for all to see and be aware of, and not hidden as a cost of power.

We are encouraged by the statement made by the Minister of Energy, Mr Will Ferguson, at the opening of these hearings several weeks ago when he reiterated his comment made on October 2, 1991, where he stated, "We propose to make it perfectly clear that any policy directives that are issued must relate to the corporation's exercise of powers and duties under the act and not lead to an extension of those powers and duties by means of government directives."

The Niagara Falls commission strongly endorses and supports the position put forward by our industry association, the Municipal Electric Association, which calls for the complete withdrawal of any amendments to the Power Corporation Act that would permit the cabinet to direct Ontario Hydro to pursue activities unrelated to the supply of electricity.

The Niagara Falls commission supports the amendment proposing to increase the size of the Ontario Hydro board by four members. However, we do so with one condition: that providing at least one of the newly created positions be assigned to the utility industry representation either through the MEA or directly through the utilities. A strong communication link already exists between Ontario Hydro and the local commissions. There is, however, a great deal of expertise and direct customer contact which could be of great value to both parties when shared at the board table. We are confident that it would be in the best interests of the government, Ontario Hydro, the customers and citizens of the province and whole electrical utility industry if this proposed amendment were to include reference to the appointment being carried out as suggested.

Please give very careful consideration to our recommendation of the withdrawal of any amendments which would permit the issuing of directives directing Hydro to pursue activities unrelated to the supply of electricity.

The benefits of an appointment to the board of Hydro from within the electric utility industry appear self-evident. Please consider all of the benefits which could accrue to your constituents, the citizens and our customers.

I want to thank you for the opportunity to be part of this consultative process. On behalf of the Niagara Falls Hydro Electric Commission, we extend our sincere best wishes to the committee in your deliberations and considerations of all the material presented to you by the concerned citizens of the province. Thank you.

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**Mr Hostick:** I have a presentation as well, if I may. My submission will have three major thrusts for your consideration: fuel substitution, energy management incentives and future supply plans. The proposed amendments address the first issue directly and the second two are of major concern when any debate takes place regarding future plans for Ontario Hydro.

Fuel substitution: I submit to you that one of the most serious mistakes any government can make is to interfere in the natural forces of the marketplace. It is evident that current market conditions are incentive enough for any energy consumer to give every consideration to switching to a fuel other than electricity for purposes of home heating and water heating. It does not take a rocket scientist to figure out that if we have a limited resource in the supply of electricity we should be preserving its use for running our computers and advancing our technological industries and not for producing heat of any nature which can be derived from another source.

The costs associated with subsidization to consumers for purposes of fuel substitution are mind-boggling. Why should the electric consumers of our province be burdened with this additional cost in their electricity bills? Ontario Hydro is already under severe pressure, which I am sure you are all aware of, to maintain a reasonable rate increase in the future. With all of the contributions already existing forcing these rates to escalate—for example, debt burden, aging transmission systems and an aging generating plant—it does not seem like a reasonable action at all to add what could be enormous costs to these already being applied.

Has there been any research or study performed which indicates that the supply of these alternate fuels will continue under present market conditions? What is to say that future oil or gas supplies will not be adversely affected, particularly if any subsidization plan is put into effect? As with any market situations, any costs associated with fuel switching should be borne by those who will receive the benefits of such a program. The fossil fuel utilities and companies should pay for conversion, not the electricity users of the province. This amendment should be withdrawn pending further investigation of all these conditions.

Energy management incentive programs: The business of energy management has become an integral part of the

utility industry, particularly over the past three years. I submit this matter to you as an illustration of how incentive programs can be made to work, and work most effectively.

We at Niagara Falls Hydro actively support the programs presently being put forward by Ontario Hydro. We sincerely believe it is in the best interests of our customers and the industry that these programs be carried out. The positive effects of these programs can already be witnessed in the Update 1992: Providing the Balance of Power report recently circulated by Ontario Hydro.

The main purpose of submitting this item, however, is to strongly recommend that the incentive program be expanded to include the single largest component of the electric distribution system in the province: the local utilities. If Ontario Hydro were to expand the incentive program to include some form of assistance to local utilities for the purpose of reducing their system losses through accelerated upgrades to the distribution systems, they could make significant gains in the efficient use of the product throughout the entire province.

If we in the city of Niagara Falls could cut our losses in half we would witness improved energy sales in the order of one million kilowatt-hours or better and revenue increase of approximately \$100,000 per year. This can be related to lost production—it is as if we had paid the cost of producing several automobiles but there is no finished product to show for our efforts or for our costs.

As responsible members of the industry we are working towards the betterment of our system. However, all of this could be improved at a much faster rate with assistance from Hydro, which would be for the good of all the consumers in the province.

The future supply: As mentioned in my introductory remarks, any discussion concerning Hydro would not be complete without some reference to the matter of future supply. It concerns us that throughout this whole review process there is no mention of guarantee of future supply of electricity. The only mention has been to invoke a moratorium on future nuclear development.

The previously mentioned updated report on the balance of power makes mention that future generation needs have been extended for a number of reasons. The contribution made by the energy management programs has been one major factor, and the other factor which I would like to address is that of non-utility generation or NUG.

The introduction of this resource has led to a whole new set of rules and conditions being applied throughout the industry. The entire concept of the power grid has been challenged and is under critical review. The system of distributing and sharing all of the electricity equally among the residents of the province has been key to our development over the past years.

There is a need, for the sake of future supply planning, to give very serious consideration to this resource. There is also a very critical need to make sure that everyone receives equal benefit from such development.

It is obvious through recent news releases and reports published by Ontario Hydro that it is on the horns of a dilemma. There is a great deal of planning, rethinking of past practices and some realistic planning for the future

which has to take place to allow for this tremendously important resource to be developed for the good of all our customers. I urge you not to be lulled into a false sense of security regarding our ability to meet future demand, which is being deferred largely because of the current downturn in the province's economy.

In conclusion, the guaranteed supply of electricity at a reasonable cost has been a major contributor to our success as a province in our nation. We have provided leadership and been successful in attracting business and industry to locate in our communities largely through our ability to provide this service. Let's continue to show leadership and display our strength through this current adversity by working together for the good and benefit of all our citizens.

**Mr Huget:** Thank you, gentlemen, for your presentation. I want to specifically address the issue of fuel switching and the impacts it may have on your commission. Would it be safe to assume that the majority of your costs are the purchase of bulk power from Ontario Hydro?

**Mr Hostick:** Yes, for sure. They represent currently the average of 80% to 85% of our total costs.

**Mr Huget:** If we have a successful fuel-switching program, for example, that would in effect lessen your costs in terms of what you would have to purchase?

**Mr Hostick:** It would reduce the cost of power purchased from Ontario Hydro.

**Mr Huget:** You are still left with fixed costs, obviously, for transmission and distribution facilities, and you estimated those as about 10% or 15%.

**Mr Hostick:** Fifteen per cent or slightly better.

**Mr Huget:** Moving a little further on in your presentation, you mentioned incentives to utilities commissions, and as I see it unfolding, for utilities commissions it is a problem. The more successful we are with fuel substitution, you still have those costs to deal with. You mention incentives in your brief, but you do not elaborate. Do you have any suggestions on how we can deal with that issue?

**Mr Hostick:** It could be rather complex. What I am suggesting is that there are aging systems within the local utilities that need to be upgraded from a voltage distribution basis to make them more efficient in the distribution of the electricity.

As I also mentioned, we do have programs where we attempt to achieve those rebuilding programs over our own capital works programs, but my suggestion is that with government assistance we could accelerate that and make the distribution of electricity more efficient through the utilities. How we go about applying those incentives or awarding that assistance is a very complex situation and I cannot provide you with the answer.

**Mr Klopp:** I am under the impression that the things you are talking about are in Bill 118. A natural gas company was in here a minute ago. Of course they were talking about natural gas, but I believe the bill does not just say natural gas. It says "all forms of energy."

You mentioned energy management incentives. You think that is a great idea, and yet on the previous page you do not think it is a great idea to get some people not to use

electricity. Then we go back to the next page about incentives and you say you could probably prove to Ontario Hydro—if Bill 118 goes through it will allow it to look at this—that you might be able to save one million kilowatts, which is effective—you know, you used the car example. I do not see why the difference.

**Mr Hostick:** The point I was trying to make in there is that I think there is quite a difference between educating and advising our electricity consumers as to the proper uses of electricity, rather than switching to another fuel. If they are going to use electricity, then use it as efficiently and effectively as they can in its applications.

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**Mr Klopp:** Are we not reducing electrical needs in either case?

**Mr Hostick:** No, I do not think we are doing it in the same manner. I do not think there is a need—

**Mr Klopp:** I did not say the same manner. I say it ends up that the equation still equals—X plus Y still equals Z at the end.

**Mr Hostick:** Yes.

**Mr Klopp:** Okay. Thank you.

**Mr McGuinty:** With respect to rates, if I were a ratepayer living within the area of your commission, could you offer me any guarantees with respect to the implications of Bill 118? If they go ahead with the fuel-switching program, are my rates going to stay the same? Am I going to be better off than if they had not gone ahead with it?

**Mr Hostick:** I am suggesting in my submission that the rate increases we are already seeing will be compounded by the suggested changes in Bill 118.

**Mr McGuinty:** So I will be worse off?

**Mr Hostick:** Yes.

**Mr McGuinty:** Okay. On the bigger picture, one of the things I think we are all learning here as a result of these hearings is that Hydro today presents us a problem. I say that, fully recognizing all the wonderful things it has done for the province and how it has been an indispensable partner in the development.

People are telling us it is a very large corporation, over 30,000 employees. It has a very large debt. There are allegations that those employees are overpaid and, as a result, it has become very inefficient, overcome by inertia.

Some of the proposed solutions that have been kicked around are that we give the Ontario Energy Board more teeth; that we privatize; that we would allow the politicians to get involved. I do not think that if I were to stand in a room in my riding and tell the constituents that we are going to put the politicians in charge of Hydro they would have very much confidence in the final outcome of such a plan. I am wondering what role you folks can play, the utility commissions, in terms of helping to reshape, redirect Hydro in order to meet society's expectations.

**Mr Hostick:** I believe the utility industry itself can play a very major role in offering direction to the future. There is a need, as mentioned in my brief, for a complete master plan for energy within the province. Obviously

Hydro and the local utilities have become part of that sort of planning process.

**Mr McGuinty:** You have—is it a couple of members sitting on Hydro's board now?

**Mr Hostick:** We have four elected plus the mayor by virtue of his office.

**Mr McGuinty:** No—I am sorry—I am talking about Hydro's board of directors.

**Mr Hostick:** Oh, I am sorry. No, there is no direct representation from the utilities on the board.

**Mr McGuinty:** I thought it was some kind of custom in place that—

**Mr Hostick:** Perhaps by custom, but not by virtue of any legislation.

**Mr McGuinty:** Right. Do you think it would be of any assistance to me as a ratepayer if I was to put more public utility commission people on Hydro's board?

**Mr Hostick:** Absolutely. It is a direct voice that could then express the concerns, as we have attempted to today, through the utility industry itself.

**Mr McGuinty:** All right, thank you.

**Mr Cleary:** Thanks, gentlemen, for your brief. I know the Chairman is keeping an eye on us on time and I think it is running out. But anyway, just a brief question to each of you. Do you think Bill 118 is necessary?

**Mr Hanna:** I believe there are certain portions that are beneficial; others are not, as expressed in our briefs.

**Mr Hostick:** In the same light, we have asked for the withdrawal of the amendments regarding policy directives and fuel switching but would support the expansion of the board. As far as the whole bill goes, we would have difficulty saying, "Withdraw it all."

**Mr Cleary:** Thank you.

**The Chair:** That might beg a follow-up question from you, Mr Cleary.

**Mr Cleary:** Not really.

**Mr Jordan:** Thank you, gentlemen, for your presentation this afternoon. One point you are bringing out here is that Bill 118 could lead to the loss of the concept of power at cost. How seriously do you feel about that?

**Mr Hostick:** That is the crux of our whole presentation, in fact. The policy directive issue, we feel, is the most serious of those being put forward. The issues that are, as we mentioned in the brief, already put forward as to social planning costs and costs not at all related to the generating of electricity are becoming part of electric consumption costs in the province. They are going to have just a devastating effect on our ability to provide that service.

**Mr Jordan:** Mr Lawn, who made an excellent presentation prior to yours, was in agreement with me that perhaps we should just table Bill 118 and establish a task force to look into the whole energy policy for the province. Rather than these Band-Aid solutions to what we think is a demand-supply problem, maybe we should be looking at a much larger view of the whole situation.

**Mr Hostick:** I would support that. I think we would support that as a position, and as I mentioned in answer to the previous question, there is a need, in our opinion, for a complete energy resource planning process to take place.

**Mr Jordan:** Thank you very much.

**Mr Arnott:** Thank you, gentlemen. I am a great believer in heeding the lessons of history. I just wondered, if Mr Snider and Sir Adam Beck were contemporary men, how do you think they would approach this Bill 118? Do you think they would see that times have changed and we have to take a different approach, or do you think they would still support their principle of power at cost?

**Mr Hostick:** Based on my reading of the history of the development of public power in Ontario, I think they were contemporary for their time no doubt. Their concepts have lasted these number of years since the inception of that bill, as I mentioned, in 1906, 1903, back to those days. It obviously indicates the strength of their forward thinking at that time. There was no mention at that time of anything other than the cost of producing electricity as being part of the cost.

**Mr Arnott:** Okay, thanks.

**The Chair:** Are there any further comments or questions, briefly, in response to these gentlemen?

**Mr Jordan:** My lightbulbs.

**The Chair:** Go ahead.

**Mr Jordan:** I was wondering what you think about the \$7-million program. It says it is in conjunction with the local utility. I assume you have been consulted and have approved of this.

**Mr Hostick:** We knew it was coming but certainly we did not have much of a hand in the implementing of it.

**Mr Hanna:** And I have not received my lightbulbs, so when you are finished, I would appreciate—

**The Chair:** Those are Mr Jordan's peripatetic lightbulbs. He might not want to share them with you.

**Mr Jordan:** But it has been put forward by the Ontario Energy Board that the money being allotted for energy conservation, it fears, is not being wisely spent.

**Mr Hostick:** I would have to, as I have in my brief, support the incentives of Ontario Hydro to the extent that—I do not know what cost you put on the awareness, but certainly it got the public's attention as to what could be done. I am not sure whether the value is there for the amount of dollars spent as to whether that is the right way of doing it, but certainly we got everybody's attention with.

**The Chair:** If anybody has taken up the slack, it has been you, Mr Jordan. If there was anybody who was not aware of that program, they sure as heck are now, and we are thankful to you.

**Mr Jordan:** We want them to use them, not leave them in the bag.

**The Chair:** Quite right. Mr Klopp, briefly, please.

**Mr Klopp:** Briefly. We talked on the power at cost. In my business I have always looked at everything has to be at cost. But in your brief it says Ontario Hydro has to

maintain a reasonable rate, the debt burden and all that. All of a sudden we are talking reasonable rate. In my business as a farmer, the bill to the co-op has got to be paid or it ain't got to be paid. Either I spent it or I did not.

**Mr Hostick:** A number of years ago the definition of power at cost was amended by almost everyone in the industry to read "at every reasonable cost," reasonable cost including such things as the debt load and the things made necessary to produce the power—no other costs except those associated with the production of electricity.

**Mr Klopp:** Okay, thank you.

**The Chair:** Mr Hostick, Mr Hanna, thank you very much for coming here from Niagara Falls today. We have not only enjoyed but obviously been interested in your submission. You have generated some insights that perhaps were not there before you spoke with us. We appreciate your coming. Take care.

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NATIONAL COUNCIL OF WOMEN OF CANADA  
PROVINCIAL COUNCIL OF WOMEN OF ONTARIO  
ST CATHARINES LOCAL COUNCIL OF WOMEN

**The Chair:** The next participant is Gracia Janes, president of the St Catharines Local Council of Women. Ms Janes, first, we thank you for accommodating us and rearranging your schedule so you could fill this new time slot.

**Mrs Janes:** Thanks. Is this on?

**The Chair:** Yes, ma'am.

**Mrs Janes:** I am not a technical expert.

**The Chair:** We have high-priced help over here in the corner who will make sure everybody is turned on at the right point in time.

**Mrs Janes:** I represent the National Council of Women of Canada, of which I am the environment convener, and the Provincial Council of Women of Ontario as well as the St Catharines Local Council of Women here.

Councils of women at the international, national, provincial and local levels represent a vast spectrum of citizens and have advocated for society and its wellbeing for over 100 years. In this regard, the International Council of Women has class I observer status at the United Nations and represents millions of persons worldwide. The National Council of Women of Canada represents close to one million persons and makes representations to the federal government yearly as well as on specific issues as they arise. Provincially, the provincial council of women since 1922 has represented over 500,000 persons and presents concerns to the provincial government in the same manner as the national council. Locally, the St Catharines Local Council of Women from 1918 represents 29 affiliates and 3,000 persons—for example, the Business and Professional Women, the University Women and the Salvation Army—and interacts with the local government and its area MPs and MPPs.

For all councils, environment has been a major concern, as evidenced by the fact that the National Council of Women of Canada was the first nongovernmental organization to

draw attention to acid rain, in 1978, and, by its extensive international, national and provincial environmental policies, addressing such issues as energy conservation, alternative energy sources, global warming and nuclear power.

It is within the parameters of council policy on these issues that we are pleased to present our comments to this committee regarding Bill 118, An Act to amend the Power Corporation Act. The issues we raise evolve from long-standing environmental concerns about the nuclear industry and acid rain and a determination that energy conservation and alternative sources of energy are far more environmentally sustainable and less damaging to the environment than energy produced by coal-fired or nuclear generating plants.

While we understand the need for a secure energy supply, a prime motivator as Ontario Hydro's policy has evolved, we question the safety, security, need and costs, both environmental and monetary, of relying so heavily on these sources of energy. More specifically we note the inherent dangers of uranium mining, waste tailings, nuclear plant emissions and potential accidents if backup systems fail, plant deterioration as aging progresses, waste disposal, where all parties agree there is as yet no safe way to dispose of nuclear waste, and byproducts such as tritium, where there is a potential for use in weapons manufacture. Of concern also is Ontario Hydro's continued reliance on coal-fired generators, the use of cheap, dirtier coal and the environmental side-effects of acid rain.

Both of these energy sources have been favoured by Ontario Hydro and enhanced by previous governments rather than the promotion and use of a diversity of sources such as solar, independently produced small-scale hydro projects, natural gas and, most important, the promotion of energy conservation. Perhaps the change in Ontario Hydro's mandated task over the years from the transmission of power which would be produced by a variety of generators—in the earlier years these were to be the municipalities—to a monopoly producer-transmitter with enormous capitalization and production costs has led to a blinkered approach to safety, environment and change.

The original mandate would certainly have allowed and encouraged a flexibility of shared production, a diversity of energy sources and most certainly an openness to alternative energy forms. It would also have facilitated a closer working relationship with governments wishing to pursue sweeping energy conservation changes. Instead, and unlike many other countries and jurisdictions, Ontario Hydro as a monopoly producer and distributor of power has shut out these options while promoting the use of electrical power produced by nuclear and coal-fired generating plants as supposedly safe, cheap energy sources.

The issue of nuclear safety has been a concern of the national council of women since the 1950s when in resolutions to government it "requested a report on the unknown and known effects of radiation" in 1955 and noted "the need for protection against radioactive waste material" in 1959.

In 1974 the National Council of Women urged the government of Canada to: "(a) delay widespread siting of nuclear plants until there is a more thorough and unbiased assessment of their safety design; (b) that no plants be sited where

the principal aim is to supply export power, whether long-term or short-term; and, (c) urge extensive studies into alternative sources of energy."

In 1980 the National Council of Women urged the government to "halt the promotion and sale of Candu reactors, nuclear fuel and nuclear technology to those countries that are non-signators of the non-proliferation treaty 1980." Most recently, in a 1991 emergency resolution which is not yet policy but was presented to government this year, the National Council of Women asked the federal government "to require the Atomic Energy Control Board to adopt immediately the recommendation of the International Commission on Radiological Protection, to reduce limits to public and worker radiation exposure."

For its part, the Provincial Council of Women has expressed a concern regarding the safety of Ontario's nuclear plants through a resolution in 1987 which requested the government to halt the expansion plans for Darlington. This resolution was put forward to the provincial council by the local councils of women of Niagara Falls and St Catharines.

Councils of women are not alone in their concerns regarding the safety of nuclear power and the increased dependency of Ontario Hydro on this energy source. In fact, many environmental groups have worried that the crown corporation has been out of control and successive governments have made futile attempts to assert control on the corporation in the public interest. This interest is paramount. Mounting cautions by such credible—and, in one case, pro-nuclear—bodies as Atomic Energy of Canada Ltd and Greenpeace about the safety of nuclear plants highlight the need for the province to act quickly through policy—New Energy Directions—and practice—Bill 118. In the absence of safety assurances now and even in the foreseeable future, and with the knowledge that there are alternatives to nuclear power, many knowledgeable groups and individuals are urging the province to take hold and reduce nuclear dependency to protect its citizens now and for the future.

While we note with pleasure Hydro's recent change of scheduling which allows for no nuclear plants before the year 2009, this does not rule out future plants, nor does it speak to our long-term concerns regarding safety—merely to the reduced, more realistic demand projections. It does, however, allow space for long-term, environmentally sensitive, cost-efficient changes that could possibly lead to a complete phase-out of the nuclear option over the long term, as is apparently happening in Britain, and a safer use of nuclear in the interim. In this regard we would presume that some funds thus saved would be put towards safety changes and upgrading of existing plants as well as to the stated goals of major energy conservation measures and conversion to alternative forms of energy. As an example, we commend the government for its recent funding of the solar initiatives to develop a demonstration photovoltaic cell project and a solar-powered generator that will produce hydrogen gas, which will be useful in the remote areas beyond the electricity grid.

Bill 118, which formally melds current government energy initiatives and the actions of its, to date, prime energy

producer, will help ensure that such projects are initiated, funded and carried through on a broader scale than in the past, with a variety of energy partners, in the interests of Ontario's citizens.

The changes many Ontario citizens wish their government to make, as they relate to an environmentally sustainable future, involve very much the directions the government is embarking on in its NED policy. These changes are currently being explored worldwide as governments look to new alternative technologies, particularly energy conservation, as a way to reverse environmental degradation, most specifically as it relates to global warming. While some, most notably Atomic Energy of Canada Ltd, promote nuclear energy as a safe, clean option that contributes little CO<sub>2</sub> to the atmosphere and which could help in the global warming battle, to others nuclear is a non-starter which, to offset 5% of the 1990 global carbon emissions, would have to see world nuclear capacity doubling.

For their part, councils of women have for many years advocated measures to improve the environment, particularly those relating to alternative energy sources and environmental impacts of energy use. For example, NCW's 1989 brief to the federal standing committee on global warming noted the important role of energy efficiency and conservation in the reduction of CO<sub>2</sub> and the "other beneficial social side-effects such as stretched fuel supplies, which are not inexhaustible; decreased automobile pollution, which will lessen side-effects to health, of low-level ozone; reduced need to expend less economically efficient and potentially dangerous forms of energy, such as nuclear; reduced fossil fuel emissions, especially coal, which will reduce acid rain and improve air quality—which in turn increase tree growth and thus improve the rate of CO<sub>2</sub> removal; and reduced home and industry heating costs."

It also noted that the benefits of alternative forms of energy would include increased jobs; lower dependence on foreign supplies of fuel; limitless supplies of alternative sources such as solar; and a variety of sources—wind, wave, biomass—lessens the threat of failure of supply—ie, for power, brownouts-blackouts—due to almost complete reliance on hydro in some areas.

More recently, a 1991 resolution from the International Council of Women asked the National Council of Women of Canada to urge the government of Canada to develop deliberate energy policies which promote energy conservation and efficiency and the use of environmentally sound energy sources, practices and technologies, and create new incentives to increase energy efficiency.

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National Council of Women resolutions since 1974 have requested the federal government to conduct intensive research into alternative sources of energy, especially solar; facilitate the transition from a consumer society to a conservator society, with the government to continue to provide information, necessary leadership and financial resources to work towards better conservation of natural resources; to make conservation of natural resources a priority and to increase funding for the development of renewable energy technology equal to the amount provided for nuclear energy;

and in 1989, sponsor and develop a program of public awareness regarding the continuing need to conserve energy, reduce energy consumption—for example, through fiscal and regulatory action—to prevent further destruction of the environment; and last, to restore funding for the energy conservation and alternative energy program.

Provincial and local councils of women and their affiliates across Canada have put these resolutions forward over the years and wholeheartedly support enabling government legislation and initiatives.

Bill 118 is a step in the right direction, as it reinforces government policy to promote energy efficiency and conservation measures; encourages new partnerships, for example, with the independent power producers; allows Ontario Hydro to promote fuel substitution and encourage the public to give up environmentally damaging and potentially dangerous energy sources; and formally, through legislation rather than non-public dealings, allows the government to play a stronger role in developing policy directions for Ontario.

Most important, these new measures, together with the delay in the construction of the new nuclear and coal-fired power generating stations, should allow the time and means to bring about greater ongoing commitment and actions to satisfy the public need and desire for environmentally sustainable changes in energy policy and practice in the years ahead.

**The Chair:** We have 18 minutes.

**Mr McGuinty:** That is all told.

**The Chair:** We have 18 minutes; you have six.

**Mr McGuinty:** Thank you very much for your presentation, Ms Janes. It was well documented and obviously the council of women have been involved in the conservation movement for a lengthy period of time. I want to make a point and then I would like to ask you a question. I hate to sound like an apologist for Hydro, but Hydro is us and we are Hydro. The 30,000-some people working there were not pumped out of some infernal nether region to be employed by Hydro and wreak havoc on all of us and the environment.

In my parents' day, certainly when they were younger conservation was not a buzzword. It had not permeated the public consciousness when it came to electricity, in any event. I was told to bring home my lunch bag after lunch, but we were not really thinking of conservation and electricity as environmentally harmful at the time.

Standards have changed as a result of the good work people did on the fringes earlier on. I do not use that term "fringe" in a disparaging way, either. Conservation is now a theme which has permeated the public consciousness and now we have it as our task to help Hydro change direction.

One of the problems we are facing, of course, is that Hydro, like any large bureaucracy, has tended to be overcome by inertia. That presents a bit of an obstacle but I am sure we will work things out.

We are going to be potentially funding people to switch off electricity to other forms of fuel. They can switch to renewables or non-renewables. I am wondering, if someone comes in to see Hydro and says, "I want to switch to

gas," and the neighbour says, "No, I want to switch to solar," should there be any kind of discrimination in terms of the way we fund those two different projects? Generally speaking, with respect to fuel switching, should we be giving grants or loans? What about the people who have already switched because they thought economically it was a better thing to do? They may not have been able to afford it but they made the jump because they felt that in the long term it was the right thing to do.

**Mrs Janes:** My own personal preference would be more money for things like solar which are renewable, rather than for gas which may or may not be. Times do change. We change cars: We change the kinds of cars and we buy cars every so many years. When it comes to changing our method of heating or things in the actual household, we do not do that. We expect them to last for a lot longer than a car, and I think it is a very important issue. It is unfortunate that some people got caught switching to electrical heating. They were certainly lured into it with lower rates and a marvellous picture of very nicely heated homes, cleaner and such. That is a decision they made and I think now most people who are concerned will be looking at these alternative forms, whether or not they switched before. I think they will be quite happy if there is money for those kinds of changes.

The overwhelming fear of many people—certainly councils of women have been aware of this for a long time—are the enormous costs involved in the dangers of nuclear, if there was a nuclear accident. What are those kinds of costs? They could be enormous, so we are looking at it that way.

The other thing we are looking at is the future and whether one can sustain the use of coal and those kinds of production of energy.

**Mr McGuinty:** Back to my concern with respect to the kinds of grants or loans we would be giving: What if we have two different households? One household has a much higher income than the other. Should we be discriminating in terms of the income level?

**Mrs Janes:** I think you are getting into a whole different kind of situation. I really had not put much thought to it. Perhaps it should be non-discriminatory with a tax back. When you get into those kinds of issues, it is quite different. We have never really spent a lot of time thinking about whether somebody with money should have this or not. We think it is a good idea to have everybody on to renewable sources of energy, period.

**Mr McGuinty:** What do we do with this problem, too—and I expect it is one we will encounter because of human nature. For instance, when I switched to natural gas it took me about three months to talk my wife into it because she was concerned about the safety aspects and I did not share those concerns. At the end of the day I won out.

I also happened to have had the benefit of having duct work in place. I had an electric furnace. What happens if a couple or a householder says, "I don't want to tear up the basement to put in the ducts"? Should we compel these people to make the change?

**Mrs Janes:** I do not think you need to compel them, there are enough people who want to do it. They will find ways to do it. It is amazing what you can do with your house when you really want something.

I would like to add to your question before this about the cost. You keep implying that these costs are amazing, but compared with the costs we have to date and the enormous debt with Ontario Hydro—the major part of it being the nuclear costs and the costs we might have should we have to clean up after an accident—I cannot see that the costs for a major program of this sort are anywhere in that ballpark. It is really important that we make every effort to give people the money to change in some way or give them the incentive to change.

**Mr Cleary:** Thank you, Ms Janes, for your presentation. I would like to follow up from Mr McGuinty. In order to prevent further destruction of the environment, funding should be restored for energy conservation and alternative energy programs. Where should this money come from—directly from Hydro, the Ministry of Energy or from another ministry?

**Mrs Janes:** Actually, that is a National Council of Women resolution so we were directing it to the federal government program. But if you relate it to the provincial area, you are asking whether it should come from Hydro itself or the province. I really do not think it matters that much. It could come as a provincial program, to be quite frank.

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**Mr Jordan:** Thank you for your presentation. I notice you suggest that energy be produced by means other than nuclear, which would be less troublesome to the environment. How would you suggest that be done?

**Mrs Janes:** I am talking about all the alternative forms of energy. I am really talking about encouraging solar, wind and photovoltaic energy and any number of forms of energy that are coming on. My problem with Ontario Hydro has been the blinkered approach and the inability to look at sharing. The original mandate was to be the transmitter of power. One by one the municipalities gave up their right to do the generation, so Ontario Hydro has ended up with both those roles. I think it is important we understand that, that they should be open to all sorts of partnerships.

They are just beginning to admit that the independent producers can produce more power than they have ever admitted before. The power producers certainly know they can do this. There are all sorts of new things coming on the scene, such as smaller kinds of generators that can be used. So it is just an openness. It is not that they will not have control; it is that they will have these partnerships.

We do not have any policy that advocates that Ontario Hydro should privatize. That is not our policy yet, but we think they should go back to the original mandate, which was to share and to bring in the power, as they do in the States and in many other countries. They allow independent power producers to hook into the grid and they pay them. We have just begun to do that in the last few years.

We have not been as open. So I am talking about all these sources that we consider less damaging.

**Mr Jordan:** In your previous answer to my colleague you said you had not given much thought to certain aspects of the bill.

**Mrs Janes:** About getting the money, yes.

**Mr Jordan:** Would you consider that perhaps we need to give it more thought, the whole concept of change, and table the bill and get a task force, including people like yourself, to sit down and come up with an energy policy for the province of Ontario?

**Mrs Janes:** We have had an awful lot of studies about nuclear power. I do not know how many there have been.

**Mr Jordan:** I do not like to see us concentrating on nuclear. I would like to look at energy for the province of Ontario.

**Mrs Janes:** I would not rule that out but, as I say, we do not have any policy on the books on that so I cannot speak to it. It does not hurt to have a commission that draws attention to the issue and comes up with helpful recommendations that are farsighted. At the same time, I do not see any point in tabling this. I think you can have both.

**Mr Jordan:** Until we do get a plan, industry sees us as having uncertainty of supply and uncertainty of cost, and they are not comfortable. We could have a real problem on our hands if we do not get our thoughts together and put a concrete plan, relative to price and supply, on the table for the province so that industry and people who want to come to the province or expand here feel comfortable in doing so.

**Mrs Janes:** I see them as two different things. Commissions are excellent as far as they go and as long as the results are not put on the shelf, which is a tradition in Ontario. I think the bill is merely formalizing what has gone on for years, making it more open and tangible for people to see what is happening. In the past, each government, as it has come along, has tried to control Hydro. Many of the initiatives they take have not been out in the open; they have been internal, so there has not really been control by the government over Ontario Hydro.

**Mr Jordan:** I think in order to control it you have to understand it first. It is a huge corporation with many different departments.

**Mrs Janes:** It seems to me Bill 118 would not have come this far forward from the government if there had not been an understanding of the workings of Hydro and a need to make some changes.

**Mr Arnott:** Thank you, Ms Janes, for your presentation. I must say it was very detailed and very well researched. We appreciate the work you have done to benefit our committee. I think you mentioned something in your brief about the importance of safety of the existing nuclear facilities. Would you agree we should continue to have research, even encourage more research, to ensure that the existing nuclear generating facilities we have operating in Ontario are as safe as they possibly can be?

**Mrs Janes:** Absolutely. It is a very frightening thing to have Atomic Energy of Canada Ltd agree with Greenpeace. It is the most extraordinary thing. They both have the same facts; they both are saying the same thing. There is a real problem with the aging of the plants. I know a lot of engineers and I have this reaction always: "It must be safe; it's engineered." Even with regard to the radioactive emissions from Pickering, for instance, 20 years ago the levels were ones where everybody said it was safe. Now it is down to here and it is safe, and now it is down to this much. People do not have the trust they should have. Now we want to see some evidence that these sites are safe.

**Mr Arnott:** Atomic Energy of Canada Ltd also presented to us a couple of weeks ago. I believe they made the presentation that the government's moratorium on new nuclear development, which was announced in the first throne speech back in November of 1990, made them look pretty embarrassed in the eyes of the world and in potential markets where they might be trying to sell Candu reactors. If their own provincial government did not have confidence in the safety of the Candu reactor, how could they sell them abroad? They suggested the future of their high-technology industry might be jeopardized because of the nuclear moratorium.

**Mrs Janes:** I think the chickens have come home to roost. They have been promoting this technology internationally and I think it is irresponsible to be promoting it in some of the countries where there are no safeguards or far fewer safeguards than here. It is okay for over there, but here they might have to abide by some regulations. They cannot avoid the responsibility any longer. The first step they have made to not avoid it is this announcement that they have looked at Pickering. They have admitted they have asked Ontario Hydro to shape up in Pickering: to do some work on their nuclear installations, to worry about the aging and such. I think they see the writing on the wall. Until they can tell us it is safe in all its aspects, then I think we have every right to worry, because of the enormous ramifications of a nuclear accident and even just the radioactive emissions and such. In the United States since 1973 there have not been any new plants built and they are extremely worried about the waste that comes from the existing plants, so everybody is worried.

**Mr Arnott:** They use a different design in the United States than in Canada.

**Mrs Janes:** Yes, I know they do, but—

**The Chair:** At that, though, we have to move to Mr Huget. Maybe he is going to ask the question you intended to ask.

**Mr Huget:** Thank you for your presentation. I would also like to congratulate your organization for its interest and participation in energy and energy-related issues, particularly conservation, over the years. It is much appreciated. I think you have provided sound guidance to at least the federal and provincial governments in dealing with these issues.

Ontario Hydro has allocated a substantial sum of money for energy efficiency and conservation. Do you

think it would be a sound investment if part of that money went to consumer education around the whole area of energy efficiency and conservation?

**Mrs Janes:** I think some of the money has already gone that way. It may not have come from Ontario Hydro, but I got a calendar from my local MPP and it is just full of energy tips. I used one of them last Sunday. That is why I am really noticing. I cooked my roast at a lower temperature for a longer time and it tasted better. Little things like that.

In the 1960s and early 1970s when we had the oil crunch, we thought we were going to run out. People really responded well and they have continued to respond in terms of their cars. We have more cars on the road, almost double, but we are using less fuel. I think people are open and intelligent, but they can always learn more. We need to get to the broader public and make sure everybody understands the simple things that can be done to save energy. That would be a very worthwhile thing for Ontario Hydro to do.

**Mr Huget:** You mentioned the transition from a consumer society to a conservator society. I think there is a necessity for some awareness around that in terms of the general public. I take it you think that would be money well spent.

**Mrs Janes:** Absolutely. There is another thing that comes into it. There should be more money spent on mass transit. It is one thing to say people have to get out of their cars; I think they will do as much as they can to cut down on their car use by taking another person along or getting a small car, but a lot of people do not have that ability. They might not even have the chance to change to a newer car because they cannot afford to do that. Mass transit is where a lot of the money should be spent to make sure people can get to places easily and not have to have cars and such. It is a little off the topic, but it is the same kind of thing. The bulk of the people have to be with us.

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**Mr Huget:** It is interesting. With increased education, we may even get Mr Jordan's lightbulbs out of the bag.

**Mrs Janes:** I took mine out.

**Mr Klopp:** Your remarks are interesting. One of the things I have been saddled with from some of the groups I have been hearing is that we are completely throwing the mandate of Ontario Hydro out the window. We referred to Sir Adam Beck, power at cost: also reasonable cost, I have heard, or at the lowest possible cost or whatever. A few minutes ago I was told—we got that cleared up—well, we did kind of change Sir Adam Beck's quote a little bit; we modified it for maybe the 1970s or whenever it was changed.

You brought up a point here about how Ontario Hydro's mandate was transmission of power and then it was changed. Could you expand on that a little bit?

**Mrs Janes:** I got that from "Power at What Cost," which is one of my sources with the page number. It was written a few years ago by Energy Probe. They traced the history of Ontario Hydro. They indicated that municipali-

ties such as Niagara, where of course the falls are, were going to produce the power. The local power people would do the production and Ontario Hydro would transmit that power around the province.

Basically that is the way it is in the States. In many of the states there is the grid and the people in charge at the state level decide as to which power will go where. They buy the power from one source—they even have computers hooked up so they can buy quickly and switch it from one state or one part of the state buying from another part, because it is better at that point in time, and then back again. It is more of an organizational thing than actual production. Originally that was the idea, as I understand it—again, my source is "Power at What Cost" by Energy Probe—Ontario Hydro's mandate was to transmit power, and maybe produce some. The municipalities and areas were to produce the power and then Ontario Hydro would transmit it.

Now it has changed; it has become a monopoly. It has become not only the transmission but the production and it is completely all-encompassed by Ontario Hydro. The independent producers are saying: "Hey, we have power. We'd like to do it like they do it in the States. We'd like to hook in. We'd like you to pay us. We can do it really cheaply and you can still have control of transmission. We are not insisting on setting up our own transmission lines. We want to hook into the grid."

**The Chair:** Ms Janes, before you go, on behalf of the whole committee, let me thank you and the St Catharines Local Council of Women for a very insightful and valuable presentation and express some thanks for the long-time work the council of women has been doing in this and in so many other areas and I trust will continue to do.

#### CANADIAN OIL HEAT ASSOCIATION

**The Chair:** Gentlemen, tell us who you are and then tell us what you will. Try to leave us the last 15 minutes or so for questions and exchanges.

**Mr Wooton:** My name is Ken Wooton. I am the manager of southern Ontario, home heat for Ultramar Canada. I brought with me today Al Catling, who is the manager of our Champion Fuels group here, covering the St Catharines, Welland and Thorold area. Al will be able to assist in the question and answer period later if you have specific questions in regard to oil heat as it relates to our customers in this specific area.

I have been asked to present my views on behalf of COHA in regard to the benefits of oil heat as an effective alternative to electricity. Ultramar's southern Ontario operations geographically stretch from the Oakville area to Port Dover and down to St Catharines. We support approximately 16,500 oil customers through three standalone businesses located in St Catharines, Hamilton and Oakville, each with its own support mechanism.

Through these locations, over 80 people are employed directly and an additional 40 people indirectly. These people provide a full range of services including delivery, 24-hour service, equipment installation, sales and customer service. Our equipment line includes oil-fired furnaces, boilers, oil-fired

water heaters, air cleaners, humidifiers, air-conditioners and duct installations into homes.

All equipment can be acquired from us on a purchase or lease basis through very aggressive interest rates. We are currently using an 11% rate to help the consumer. Additionally, we carry oil-fired water heaters under a rental program which runs at \$7.95 a month with no installation cost to the consumer. We provide the consumer the opportunity to acquire an oil-fired furnace for \$1 a day over a five-year period, again, to assist the consumer in moving into the oil equipment industry.

We also provide a replacement furnace program under which we will supply consumers with a free furnace if their furnace requires replacement within the period of time they are covered under that program. Last year, we replaced 572 oil furnaces under that program free of charge to the consumer. Over the last five years, we have replaced over 2,000 furnaces and have been installing water heaters throughout that period of time, although recently, 1990 versus 1991, we have seen a growth of 313% in our installed base of water heaters, replacing both electric and gas. The breakdown on that is about 90% electric and 10% gas.

During the early 1980s, the government's off-oil program destroyed the fuel oil industry by providing consumers with substantial subsidies to convert to electricity or natural gas. Throughout the 1980s and the real estate boom, the large natural gas monopolies and demand for electricity generated from the nuclear future grew at a rapid pace. The growth was at the direct cost of independent business people working in the oil heat industry. Hundreds of oil heat businesses were closed during the 1980s.

The survivors, although few in number, compete very aggressively to maintain their customer base in a declining market. The results have been depressing for many who have worked in the industry, as the results of the off-oil program still have an effect on customer perception of our product as environmentally unsafe and expensive, all untrue in today's market. However, we are unable to get the message we need to get to the public because of the massive advertising budgets that are available to the gas and electric utilities.

Due to the intense competition of our marketplace, the real winner of course is the consumer who has the ultimate power—supplier choice. He can fill his home-heating requirements with a number of fuel suppliers based on price, programs, services and promotions. This is not available with gas monopolies or electric utilities. Our industry excels at customer service and value to our customers.

It is critical that the government take action to undo the damage it has done in the heating oil market over the 1980s by diverting consumers of electricity for water and air heating to oil. Under this basis, I strongly support the aspects of Bill 118, specifically section 5, which eliminates subsection 56b(3) of the Power Corporation Act. That deals with the diverting of \$240 million to fuel substitution.

I do not see any conflict in these incentives as subsidized by all electric users. First, the biggest residential electricity users are the ones most likely to benefit directly. Second, all of Ontario and all electricity users are the ones

who will gain directly through environmental benefits and ultimate tax benefits. Market forces alone are not sufficient to encourage fuel substitution in today's economic realities.

Oil for the future: Does it have a future? The National Energy Board thinks so in its report entitled *Canadian Energy Supply and Demand 1990-2010*. It predicts that from 2000 to 2010, natural gas demand will be moderate because gas prices will exceed oil prices and this will lead to the substitution of oil for gas. This was based on a price of US\$27 a barrel for oil. Today it is below US\$19 a barrel.

The board further predicted that in 2010, 37% of Canada's energy would be supplied by oil, 25% by gas and 22% by electricity. This is a major change from where we were in 1990, which was 14%, 26% and 40% respectively. Combine this outlook with the reality that oil-fired equipment lasts an average of 30 years versus gas equipment which lasts an average of only 20 years. Also, gas prices continue to rise; oil prices are currently at 1984 levels.

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Oil-fired water equipment is the best on the market today, having recovery rates for water heating two times faster than gas and five times faster than electricity. In addition, it operates at a higher seasonal efficiency than natural gas water heaters and is significantly less expensive to operate than electric water heaters, saving between 25% and 50%, depending on the specific location being evaluated.

There is no question that oil is the fuel to invest in for the future under those bases. As you know, there is much for Ontario to gain. Over 800,000 homes in Ontario are currently heated by electricity; 1.5 million have electric hot water tanks. Over 160,000 of these electrically heated homes are duct, making them easy for conversion. Ontario is currently building approximately 54,000 new homes a year, and about 12,000 of them are in places not serviced by gas, making oil the premier alternative. In addition, 100,000 of the 564,000 existing homes serviced by oil could be equipped with higher-efficiency oil furnaces to meet the government's new energy directions. Approximately 380,000 electric hot water tanks are in homes already heated with oil, making them easy for conversion. This represents a significant potential saving of electricity as a fuel in Ontario.

Why drive it with incentives? Because without them, the truth will not get out. The truth is, oil-fired space heating and water heating equipment have led the way in technological advances and increased efficiencies over the last 20 years. The flame retention oil burner was introduced to the market in 1970. It increased burner combustion efficiency from 60% to 98% on conventional furnaces, taking steady-state operational efficiencies up to between 85% and 88%. Condensing-flue-gas oil furnaces are available today with seasonal efficiencies in excess of 95%. The majority of gas furnaces installed in Ontario are operating at less than 70% seasonal efficiencies. These are the conventional furnaces installed up until 1991 by the gas companies.

Oil is less expensive to install, as government documentation shows. For electric furnaces, baseboard heaters, with an efficiency of 100% annual fuel utilization efficiency, the estimated cost of installation is between \$1,000

and \$1,500. A new oil furnace with 83% AFUE is between \$1,200 and \$1,800 for installation. An old oil furnace with an upgraded burner can be done for \$400 to \$800, and that is just a burner replacement.

In comparing the cost of oil versus gas, the installation cost for oil is around \$1,800, mid-efficiency gas is around \$2,100 and high-efficiency gas is around \$3,800. When you look at purchasing that equipment over a five-year period, as a consumer today you are looking at an interest rate from the gas company of approximately 22%. In the program our company offers, we charge no interest to the consumer over that five-year period.

The capital outlay for the consumer over that five-year period is significantly different, as you can well imagine, because of the interest rate differential. When you take into account that oil equipment lasts approximately 30 years versus 20 years, the difference in price to the consumer is significantly different. The cost over the life of oil equipment is approximately \$60 per year, the cost of mid-efficiency gas is approximately \$180 a year and the cost of the high-efficiency gas is approximately \$315 a year.

Heating oil is one of the safest fuels. Statistics from the Ontario fire marshal implicate heating oil in just 1% of all fires for which there is an identified fuel or energy source cause. By contrast, electricity is implicated in 31%, wood in 15% and natural gas in 3.5%. Oil is non-explosive at room temperature and will in fact extinguish an open flame—hard to believe. Heating oil is biodegradable, and therefore holds the position of the safest fuel.

The social aspects of oil: Much has been written about the importance of small independent businesses in Ontario's economic recovery. An incentive program to assist home owners in fuel substitution must give oil suppliers the opportunity to compete fairly. These suppliers are important economically to the communities they serve, particularly the rural communities, because of the employment they provide and because of the revenues they generate and keep within those communities. Utilities are not generally putting their revenues back into the communities from which they draw. Monopolistic utilities cannot give the approach to freedom of choice that is critical and so important. Competing independent fuel oil businesses can.

The cost of energy is only part of the overall total heating cost to a consumer. The consumer must look at energy costs, equipment costs and operating costs over the life of the equipment. Based on September 1991 energy costs, for a home of approximately 1,300 square feet, we were able to determine, as shown to you in the letter that has been passed around, that oil, taking into account both equipment and fuel costs, is actually cheaper for the consumer in the Hamilton-Niagara area to operate than is natural gas or electric.

Oil and the environment: The amount of carbon dioxide produced in fossil fuel heating or water heating systems goes down as the firing efficiency goes up. Since oil equipment technology has efficiency rates equal to or higher than other fossil fuels such as natural gas and propane, its overall environmental impact is less.

One concern we have heard for years in regard to oil is security of supply. Not one Ontario home serviced by oil

has had its supply of fuel interrupted over the past 25 years due to product shortage. In fact, when temperatures in Ontario are into prolonged cold spells during the winter months, the natural gas monopolies turn off their supply to commercial customers due to the demand they are incurring on their network. This in fact is a result of lowering pressure in the network, which is dangerous for home owners. During these times when our industries are shut off by the gas company, your independent oil suppliers take up the slack with their excess supply and fill the needs of industry in Ontario.

I think the question of supply is not a question at all. We have sufficient, if not ample, supply to supply not only all our customers during peak load but also the gas companies. Without these backup facilities, what would happen to those businesses?

If the oil industry is allowed to continue to decline, as was directed through the off-oil program in 1980 and as it still sits today, affecting our industry, declining our market share, the number of independent fuel oil businesses that will be available to pick up the slack in those communities will diminish. Those businesses will be required to either shut down or the gas company will be forced to supply, which will result in an unsafe environment for the residents that utilize gas or will cause brownouts throughout significant components of the network. The net effect will be homes without heat and a potentially dangerous situation for all of us.

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Another consideration we have to keep in mind is that the bulk of the gas appliances currently sold in Ontario are manufactured in the United States. Canadian gas manufacturers are hurting badly. Oil appliances sold in Ontario are primarily Canadian-built, and Ontario communities—Fergus, for example, Toronto and Hamilton—are the supply locations for water heaters. If fuel substitution money goes to the gas monopolies, it will result in the strengthening of the US gas appliance manufacturers at the expense of the oil appliance manufacturers. We will be making their market stronger and taking away more jobs in the Ontario area.

Finally, on incentives, as I am also here as a representative of COHA, I will be reiterating its requests for incentives. They are looking in total for incentives up to \$2,500 for the installation of duct work into homes currently heated electrically—this would specifically be your base-board radiant heat type of situations and would affect approximately 640,000 homes—and also incentives of up to \$2,000 for the installation of oil-fired furnaces and tanks into homes currently heated electrically. This would be reasonably easy for homes which currently have a duct system, which, as earlier stated, was about 160,000 homes. In total it would represent approximately 800,000 homes. They also seek incentives up to \$1,500 for the installation of oil-fired water heaters into homes currently heated electrically. This again would affect approximately 800,000 homes. These incentives would be maximum, and in fact within the oil industry a reduction of up to 50% would still be very workable for your independent oil dealers to work with through reduced interest rates or long-term programs with customers to ensure that customers could take advantage of

the program and incur savings while making payments. That is really the name of the game, to save money for the consumer from the day he makes the conversion appropriately.

In conclusion, the fuel oil suppliers are confident of the future, based on what I mentioned in regard to the energy studies and the outlook of the future. We look forward to establishing aggressive programs with the government and Ontario Hydro to ensure all Ontario residents are provided the quality of oil products and services they need for the future. The oil industry desperately needs the government's support. The effects of the 1980 off-oil situation are still quite vivid for many of the people today who are buying homes and we need to reverse that. Thank you.

**The Vice-Chair:** Thank you, gentlemen. We only have about two minutes per caucus, and we will start this round of questions and answers with Mr Jordan.

**Mr Jordan:** Thank you, gentlemen, for coming this afternoon and giving what I would like to say is one of the better marketing presentations I have had the pleasure to listen to. I think you have put a lot of thought into the actual marketing of your product, the opportunities of fuel switching you are giving the customer through a time payment plan, a rental plan with eventual ownership; and with the difference in the cost, as you have demonstrated, I really and truly feel that with a program like that we would not need to worry about incentives, that the people are in a good position to make a choice between electrical energy and oil.

**Mr Wooton:** I think the situation today is that many of the electrically heated homes converted from oil back in the 1980s. They still suffer from the perception of oil that was left with them in the 1980s. There is no question the oil industries have some marketing to do. As for people having the cash, the capital, today to go into a program whereby they can invest for the future, if you are looking at a baseboard-heated home today, you are looking at an expense to convert that, only from a duct perspective, without considering fuel, of about \$2,000 to \$5,000. So a \$2,000 subsidy does not cover the cost of entirely converting that home.

**Mr Jordan:** Were you aware of this agreement for R-2000 homes, that where gas is available, they shall be gas?

**Mr Wooton:** No.

**Mr Jordan:** I hope the research will give us that information, because it is documented here in the 1991 annual report of Consumers' Gas that an agreement has been reached with the Ontario government that where gas is available and it is an R-2000 home, gas shall be the fuel for that home. I just thought it is a point of information that your people should also be aware of.

**The Vice-Chair:** Thank you, Mr Jordan. You may respond.

**Mr Wooton:** I just want to finish responding to the incentives. The incentive programs we have put in place as an industry we have been forced to put in place, and we have been forced to walk away from very little revenue on

the equipment side; where the gas companies, because of their monopoly, have the opportunity to enjoy significant revenues and 22% interest rates from the consumers, at whose cost? The consumers' cost. Without those incentives, that will continue and you will be doing a great discredit to the residents of Ontario.

**Mr Dadamo:** Obviously your marketing plan is a very intense one, and you are out there vigorously looking for new clients all the time. Are you finding that more and more people are coming to you, your association, looking to make the switch?

**Mr Wooton:** We find there are a lot of people on electric today who have heard about the government's program to look at subsidies, and there is definitely a pent-up demand of people waiting. We ourselves have put together a program whereby we were willing to offer a \$500 rebate to get them to convert over to oil, and people are still saying, "No, we're waiting for the government's program."

The government got us in this position through the 1980s. They were mucking around and deciding which fuel people should be on, and it is for that reason we are in this predicament. So there is a pent-up demand.

**Mr Dadamo:** Are people, consumers out there, as confident as you are that the supply is vast out there and will remain vast for many years to come?

**Mr Wooton:** On oil? I think they are getting more so now. Certainly what happened in 1990 with Iraq and Iran has convinced a lot of people that here we are operating quite effectively in the marketplace without any of that oil. That oil will all be coming back on stream from Kuwait in 1992 or 1993. I think everybody is now quite confident that there is an abundant supply of oil to last for generations to come.

**Mr McGuinty:** Thank you, gentlemen, for your presentation. I want to take issue with something you have been saying. The logic you are using is that the government got us in this mess so the government should get us out of it. Just to be clear, and there is an important distinction to be made here, first of all, it was the federal government and it was federal taxpayers. What we are asking here is not that the Ontario government or even Ontario taxpayers but rather Hydro's ratepayers help you out.

**Mr Wooton:** That is right.

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**Mr McGuinty:** I do not think it is fair to use that kind of logic to place that kind of burden on Hydro's ratepayers. They are, if anything, the innocent party in all this. Now, it seems to me—and I will look at it from a different perspective—that if you stand to benefit from this, and benefit considerably, the oil industry should be providing some kind of incentive.

**Mr Wooton:** Like zero per cent financing?

**Mr McGuinty:** Whatever it is. I am not sure.

**Mr Wooton:** In regard to your issue of who should pay, who will benefit? Which consumer group will benefit from the incentive?

**Mr McGuinty:** Public utilities commissioners are telling us over and over again that our rates are going to go

up as a result of Bill 118. I can tell you about another group we met with, and that is the people in Sioux Lookout, who do not have access to natural gas and who told us that it is not economical for them to switch from electric to oil because of the costs of oil up there. So I do not think it is as simple and as straightforward as you would have us believe.

**Mr Wooton:** So the people in Sioux Lookout felt that the cost of electricity was less than oil?

**Mr McGuinty:** Yes.

**The Vice-Chair:** Thank you, gentlemen, for an excellent presentation. It has been most insightful, and if you wish to contact any of your local MPPs or anybody on the committee, we could give you the answers as they come down in a couple of weeks; we will be going through clause-by-clause.

**Mr Wooton:** Very good, thank you.

#### ST CATHARINES HYDRO-ELECTRIC COMMISSION

**The Vice-Chair:** The next group would be St Catharines Hydro-Electric Commission. Could you please come forward and identify yourselves for the sake of Hansard and the members?

**Mr Lines:** Good afternoon, ladies and gentlemen. My name is David Lines. I am the general manager and secretary of the St Catharines Hydro-Electric Commission. There are many aspects of the proposed amendments to the Power Corporation Act, known as Bill 118, which are worthy of discussion, but the St Catharines Hydro-Electric Commission believes there are three topics which are of particular importance and we propose to address them today.

You have doubtless heard many times the credo of all municipal electric utilities, which is, "power at cost." Under Bill 118, the definition of "cost" becomes blurred. While utilities struggle to maintain a safe, reliable source of energy for all their customers, the cost becomes less and less affordable for many. While the people of St Catharines in general support the proposed social programs of this government, we will be faced with the spectre of people unable to pay their utility bill because of the high cost of funding these social programs hidden in the electricity bill as a result of policy directives.

With the limited information available to us, we estimate that a 1% increase in Ontario Hydro revenues will garner \$75 million. Our best estimate of present taxation for 1992 is as follows: debt guarantee, 2%; water rentals, 1.5%; rural rate assistance, 1.5%; Elliot Lake, 0.5%; and Spruce Falls, 0.1%.

We would be the first to admit that the vast majority of these hidden taxes were inherited by this present government. It is disappointing, however, to find this government, with its promise of openness, trying to hide yet more taxes in the cost of electricity.

With respect to fuel substitution, the St Catharines commission supports the Municipal Electric Association position, which basically is that market forces should prevail. Given the present price differentials, market forces substantially favour fuel switching without incentives.

There is no reason why all utilities should not work in harmony to provide our customers with the best energy policy for their needs. For example, this commission does not pursue electric space-heating in new development. The local gas company may wish to attack the domestic cooking market. This is good business practice.

It would seem premature for the government to legislate fuel substitution when there has been no long-term study conducted into the supply of natural gas, oil, coal, propane and other alternative fuels. What will happen if eventually these alternative fuels become more expensive than electricity? If memory is correct, oil companies were not required to subsidize the off-oil program of the first Organization of Petroleum Exporting Countries oil embargo; market forces were allowed to prevail at that time.

The third area of concern today is the Ontario Hydro demand-supply plan, and in particular the energy management incentive programs and non-utility generation. In the first case, we propose that Ontario Hydro place a moratorium on the expansion of energy management incentive programs until their economic justification can be determined.

It appears that corporate Ontario Hydro views the affair as a well-orchestrated exercise in public relations. It can certainly be claimed that several thousand kilowatts of connected load have been removed from the system through Ontario Hydro incentive programs and the efforts of its local field staff supported by the municipal utilities.

It is virtually impossible, however, to definitively measure the long-term effects, particularly in the present economic climate. To illustrate this point, a major industry in St Catharines consumed more electricity in 1991 than ever before. This occurred despite considerable cutback in production and the installation of energy-efficient motors and lighting.

In contrast, corporate Ontario Hydro has ignored its major customers, namely the municipal utilities, since none of the incentives have been directed towards these organizations to assist them in the reduction of losses in the distribution system. For example, in St Catharines the transformer losses amount to approximately 1% of the system load. This translates into about 3,300 kilowatts, or half the output of our generating station.

By installing amorphous metal transformers, these losses could be reduced by 60%, which would mean that 2,000 kilowatts would be permanently removed from the system. While these machines presently carry a premium, it would not take long for manufacturers to ride down the experience curve to reduce the cost, thus eliminating the necessity for subsidies. This would enable all consumers to share in the savings.

An allied subject is non-utility generation. This utility has had the opportunity to consider several first-rate proposals which have now been negated by Ontario Hydro's latest edict. While the engineering details of these proposals are irrelevant to these discussions, the fact of the matter is the implementation would have resulted in manufacturing and installation jobs in the Niagara Peninsula, together with some permanent jobs, all of which are desperately needed.

**The Vice-Chair:** Thank you very much, sir. We will start into the question and answers with Ms Murdock.

**Ms S. Murdock:** I want to thank you for this, but I just need a clarification. The workings of different kinds of energy systems are not in my bailiwick or my general level of experience, so I need a clarification on page 3, if I might. In terms of the incentives to municipalities and installing amorphous metal transformers, am I understanding from that section that you would recommend a discounted subsidy, a subsidy that would be discounted over the years until such time as the metal transformers could reduce the effect?

**Mr Lines:** Correct. We have in actual fact put \$100,000 in our budget this year to install amorphous metal transformers. This is about 20% of our transformer budget for the year. We do not believe that St Catharines can afford to do more in any one year, given the present state of the economy and trying to hold our rates down.

However, if these incentives were made available so that more utilities were able to purchase and install these transformers, then obviously with production costs and experience, the manufacturers can bring the cost down to the level of the present regular-distribution transformers.

**Ms S. Murdock:** On top of that, what kind of incentives would you be looking at? A percentage of the kilowatt usage or what? I do not know exactly what kind of incentives you are looking at.

**Mr Lines:** Any incentives we could negotiate with Ontario Hydro. We are not hung up on percentages or fixed sums or anything, just some incentive which will enable us to reduce our costs and remove load permanently from the system.

**The Vice-Chair:** Ms Murdock having eaten up about three minutes leaves you, Mr Huget, with about four minutes for your caucus.

**Mr Huget:** Thank you for your presentation. I notice on page 2 of your presentation that you refer to the costs of Elliot Lake. At mid-paragraph there you say, "It is disappointing, however, to find this government, with its promise of openness, trying to hide yet more taxes in the cost of electricity." I do not recall this bill having anything to do with taxation, so I think that is a little off the mark.

**Mr Lines:** Could I reply to that?

**Mr Huget:** Yes.

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**Mr Lines:** Hidden costs, costs to do other than provide electricity, in our opinion is taxation.

**Mr Huget:** Then would you agree, sir, that taxation includes the hidden costs of paying several times the world price for uranium and the contracts for uranium by Elliot Lake?

**Mr Lines:** Yes, I would.

**The Vice-Chair:** Anyone else from your caucus? Seeing none, Mr Cleary.

**Mr Cleary:** Thank you for your presentation, sir. One thing I would like you to comment on is the present

makeup of the Ontario Hydro board and the proposed makeup. What is your opinion on that?

**Mr Lines:** The present makeup of the Ontario Hydro board includes two representatives of the MEA. When you consider that the MEA represents the bulk of electrical users in the province, I think the MEA is vastly under-represented on the board. I believe that the composition of the board is weighted in favour of government appointees, and that really is a government policy decision to make. However, if the appointees are appointed by the government, they surely know government policy and I think the government should allow the appointees to run the utility in the way they see fit and not interfere with the decisions once the appointments have been made.

**Mr Cleary:** Are you in favour of increasing the size of the board?

**Mr Lines:** I believe the present size is about 20 and I would suggest that this is probably sufficient.

Interjection.

**Mr Lines:** Seventeen, yes. I would say that was probably sufficient to run the utility.

**Mr Cleary:** Is Bill 118 necessary in your opinion?

**Mr Lines:** In my opinion, no, it is not necessary at all.

**Mr Cleary:** If Bill 118 goes ahead as proposed by the government and these incentive programs are put in place—I think I know what your answer is going to be but I am going to ask you again—should the cost of this program be borne by Ontario Hydro or should it come from the Ministry of Energy or another ministry?

**Mr Lines:** I think it should come from one ministry or another but not from Ontario Hydro.

**The Vice-Chair:** Mr McGuinty, you have about three minutes.

**Mr McGuinty:** There is a proposal contained in Bill 118 which would have Hydro's board of directors absolved from liability. They would have the benefit of that shelter as long as they followed the government's directives. My concern is, from the perspective of ratepayers, they sometimes wonder, "Well, who the heck is out there looking out for my interests?" because governments, if they are going to run Hydro, have been known to do things for reasons purely political.

It may be that Hydro's board of directors has not been 100%, as far as I am concerned as a ratepayer, in terms of protecting my interests, but at least it is there as some kind of a protective mechanism. It is something that I find incredible. It is something that could never happen in the private sector—that you would absolve a director from liability.

To my understanding, Hydro's directors are the only people in law who are accountable to me. They owe me a fiduciary duty. They must look out for my best interests. A government can play one off against the other. It might say: "Well, we're in the context of a recession. We don't have enough money to pay for certain things and we want to keep it off the government books. Let's use Hydro." Maybe that is what happened at Elliot Lake. Do you have anything to comment on that?

**Mr Lines:** I would agree that if the directors of Ontario Hydro are free to make their own decisions, then they should not be absolved of liability. However, if they are being directed by the government, then one surely cannot hold them accountable for the whims of the government.

**Mr McGuinty:** I am not sure if you are aware of this, but at Elliot Lake the directors, it is my understanding, demanded and received an exemption from liability because they felt it was not in the interests of Hydro's ratepayers to proceed with that program.

**Mr Lines:** Yes, I was aware of that.

**Mr Jordan:** Thank you for your presentation. I have had the privilege of being a member of this committee and going across the province and certainly I have been fortunate in attaining a good cross-section of the feeling on Bill 118 as it presently has been presented.

You are making a point here that has been concerning me regarding the update of this demand-supply plan being so dependent on energy conservation now. You have pointed out an industry, for an example, where through energy efficiency, if you want to refer to it that way, the resultant factor was a very noticeable increase in the use of electricity. Listening to other large industries and manufacturers that have been doing an awful lot of work on the efficient use of electricity, because it is a big factor in their costs, I have a certain fear that perhaps we are rushing into this and overestimating what we can do for the people of Ontario through energy conservation and putting off facing the fact of new generation. Do you have any feelings in that regard?

**Mr Lines:** Yes. First of all, I fully support energy conservation. We participate to our maximum ability in energy conservation plans within St Catharines. However, there does appear to be a headlong rush into so-called energy conservation without looking at the ultimate results. Let's take the example of your lightbulbs. Who is to say that the recipient would not replace a 40-watt lightbulb with one of those instead of the 60-watt for which it was intended? I think this is one of the fallacies of the energy conservation program as it now stands. I would not like to see any abandonment of the energy conservation program, but I think we have to take a closer look at its effects and perhaps put some more money into educating people in the wise use of electricity rather than just rushing headlong into trying to reduce the load.

**Mr Jordan:** I was also interested in your bringing out the point that some consideration could be given to the utilities relative to the use of new and updated products, such as new transformers. Also, there are a number of utilities, perhaps not only the smaller ones, whose distribution systems have deteriorated and the line losses are more than they should be. Would that not be another area where we could show considerable savings at the retail level?

**Mr Lines:** Oh, certainly. We pride ourselves that our line losses are kept to a minimum in St Catharines. However, we could reduce those line losses if we had the money to spend on upgrading the system.

**Mr Jordan:** Would you enter into a consultation with Ontario Hydro relative to that as part of the \$6 million that is being spent on conservation?

**Mr Lines:** I certainly would.

**The Vice-Chair:** Mr Arnott, very quickly, please.

**Mr Arnott:** We in St Catharines are in the southern-most part of the country. I am just wondering if you can tell us if your peak load at the present time is a summer peak. Are you anticipating that in the next few years you are going to have a summer peak load?

**Mr Lines:** We have had a summer peak load for the past two or three years. It is marginally above the winter peak but it is in fact a summer peak.

**Mr Arnott:** Bill 118 implies that it is going to be attacking winter peak, is it not?

**Mr Lines:** Right.

**Mr Arnott:** We are probably not going to be realizing the demand savings we think we are.

**Mr Lines:** That is true.

**The Vice-Chair:** Once again, as with a lot of your predecessors from the public utility group, you have put on an excellent presentation. I thank you for that.

Seeing as how we have a few minutes before the next one, and it will be a long afternoon, we will stand in recess till 3:15 so everyone can stand, enjoy the coffee or juice, whatever is left, and stretch your legs.

The committee recessed at 1451.

1515

#### BROCK UNIVERSITY

**The Chair:** Terry Varcoe is here from Brock University. Sir, please be seated and tell us what you will.

**Mr Varcoe:** For those of you who are not as familiar with the university as the Chairman I hope is—I am sure he is—Brock University was founded in 1963. We started our campus on top of the escarpment in 1965. At that time electrical energy was a very inexpensive item and the university, it was decided, would be an all-electric campus. I do not know what our rates were at that time, but they were low. So in 1965 we went all-electric. We now have 1.3 million square feet of space which we have to heat and cool with electricity. Electricity is our major source of power.

We have done some major conservation items. We heat the boilers between 11 pm and 7 am. We have put in a very sophisticated load-shedding program. We have done virtually all of the things that can be done in order to cut consumption. We draw a maximum of nine megawatts, which is fairly significant as our rates are based on peak and the consumption, and peak is about 50% of the rate. So electricity has become a very major cost to us. Our December bill was \$224,000; our annual bill is about \$1.8 million, so any time we are looking at electric rates increasing, it means a significant amount to us. This year, the PUC in St Catharines is looking at 11%. That means \$180,000 or thereabouts to us. As you are all aware, we received a 1% grant increase. It is very difficult to get that sort of money out of a 1% increase.

The point that Brock University wants to make is that we feel Hydro should be generating power and selling it to local power authorities at cost and should not be burdened with costs which are not directly involved with the generation of power, so that things such as Elliot Lake and Kapuskasing, where we really have had subsidies going to these areas—I do not think we have any problems with social programs as such. It is just that we do not think they should be part of the power rate we are paying.

When we look at the other universities in the province and say that none of them is all-electric, what it means is that any time we have something going into the power base that is not just the cost of generating electricity, we are being taxed and they are not being taxed. What it means to us is that we have less money for books, equipment and wherever else we might put the money, because we are being hit with a tax that is going to major power users but in fact is not going to them. Although they are major too, they are not doing their heating and cooling with electricity. From our point of view, it really hurts when we end up having items that are non-power-generation costs included in the base electric rate. That is the major point we really have.

There is one other thing I would just like to take a couple of seconds on, though, and that is the amount of money, the \$6 billion, that Hydro has to finance getting people off hydro or for conservation. We have a very major project which we just signed with Hydro where it is putting up \$1,044,000 on about a \$2.2-million project. We are putting in a major thermostorage. It is just a big hot-water tank, but it has a fancy name. It is thermostorage, but what really makes that project go is that we are using a gas boiler to heat during the day, and we heat it with electricity at night.

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Of the money that Hydro is contributing, it contributes nothing to the gas boiler, because it does not contribute to anything where there is a substitute source of energy. It seems to me if we are going to make the best use of the funds that Hydro has for conservation, there should be some way of including within that the possibility of using other sources of energy. This is about a \$2.2 million project. What makes it economically feasible is that we pay \$75,000 ourselves in order to attach a gas boiler to the project. Without that, the conservation would not be worth spending the money, yet we get no contribution from Hydro on that part.

So I guess I would like to see Hydro be able to provide funds out of its conservation fund to substitute sources of energy. That really is it; very short. It will give you time for another coffee or the next people.

**The Chair:** No, sir. It gives us time for some questioning and some exchange of views.

**Mr Dadamo:** Thank you very much. I was not expecting it that quick. Welcome to the recession, Mr Varcoe. You were mentioning with much disdain the 1% increase in subsidy the government is giving you.

**Mr Varcoe:** I do not think I said much disdain. We recognize that things are tough everywhere.

**Mr Dadamo:** I realize that you realize that, but there was a little quiver in your voice I noticed.

**Mr Varcoe:** It is tough.

**The Chair:** There is one in mine when I talk to you.

**Mr Dadamo:** A couple of questions. What plan does the university have to possibly tailor or cut your electricity bills? Are there any areas that you are ready to take the money from in order to pay for these bills?

**Mr Varcoe:** What we have basically told our physical plant department is that its budget will be the same as last year and out of that it has to pick up the energy cost increase. What that really means is that we will be doing less in the way of maintenance and renovations. We will just be watching all of the areas in physical plant.

**Mr Dadamo:** Are you cash-rich in any other areas that you could take it and put it to this area of paying the electricity bills?

**Mr Varcoe:** No. No universities are cash-rich in other areas.

**Mr Dadamo:** Yes, there are some that are cash-rich.

**Mr Varcoe:** The objective at most universities is that we spend the amount of money we have; if we have less money than we would feel is necessary, we have to cut in certain areas. We will certainly be making cuts this year in non-people areas. We are not at the point that we are going to be laying off or things like that, but we certainly do not have as much money for particular equipment as we have had previously in the last couple of years.

**Mr Klopp:** I appreciate your talk. One of the things that you have pointed out was the substitute sources of energy. This bill will allow Ontario Hydro to do that.

**Mr Varcoe:** Yes, we are in favour of that part of it.

**Mr Klopp:** Because that is one of the things that other people are quite mad about.

**Mr Varcoe:** That is where we differ.

**Mr Klopp:** The \$1.4 million that you are receiving for—

**Mr Varcoe:** No, \$1,044,000. Sorry.

**Mr Klopp:** Of course. The \$1 million that you are receiving is out of the rates of Ontario Hydro.

**Mr Varcoe:** It is out of the conservation fund, I guess.

**Mr Klopp:** I live in Zurich. I am not going to get any benefits of your getting—that \$1 million is going to be in my electrical bill, is it not?

**Mr Varcoe:** I guess it is going to be in your electrical bill one way or the other. If they do not reduce the consumption, it is going to be in your bill another way, so I do not think it is going to affect your bill overall.

**Mr Klopp:** Okay. But a few minutes earlier you said we tried to put in a social program at Elliot Lake, but Elliot Lake was to save Ontario Hydro's spending over \$1 billion in excess costs. They cut a deal. That, to me, is not a social cost. Is that not a business—

**Mr Varcoe:** It seems to me that Hydro is paying for uranium at a rate that is above what it could buy uranium for.

**Mr Klopp:** They cut a deal to get out of that, and saving over \$1 billion, is that not a good deal?

**Mr Varcoe:** That is a good deal, but they also put in a fair chunk that is in our rate.

**Mr Klopp:** They also put \$1 million in my rate for your university, but you say that is all right.

**Mr Varcoe:** That is definitely all right.

**Mr Klopp:** Thank you.

**Mr Varcoe:** We like our cake and eat it too.

**Mr Jordan:** Thank you, sir, for your presentation. I think you had good foresight when you decided that Brock University should be all-electric. I am sure, as time goes on, you will not be disappointed.

My question is relative to your residences. Are they also all-electric?

**Mr Varcoe:** Yes. The whole campus is. When we say all-electric, the major source of energy is electricity. In some cases it is electrically fired boilers; in other cases it may be direct electric heat. But it is all-electric, yes.

**Mr Jordan:** From my experience, I know at home sometimes university students walk through the house and from the room they start in to the room they leave, all the lights are on. I was just wondering, do you have any program to try to—

**Mr Varcoe:** Yes, we have, and it is a very effective program. It is called User Pay. In our new residence which we built a couple of years ago the students pay their own energy costs and the houses—they are like town houses—are electrically heated. They are air-conditioned and it is really interesting to look in the fall to see those students who have their windows wide open and their air-conditioning on and, in the winter, their windows wide open and their heating on. We can tell because we give them very detailed bills every month that show them what their costs were, what their consumption was and what the consumption of other housing units in the complex was. So they can see that some kids are paying \$20 each a month for energy and others are paying \$35 or \$40. It is a very good way to teach students that you do not keep the windows open without some cost.

**Mr Jordan:** I can tell you from experience, because one of my daughters received her bachelor of education from that university, and when she is at home, I have to tell you that if I drove in in the evening I would not know there was anyone there, because there is only one little light on in the whole house.

**Mr Varcoe:** It works.

**Mr Jordan:** It does work. Going back to Bill 118, do you have areas of Bill 118 that you would like to comment on as not being required in order to have the utility in government reform?

**Mr Varcoe:** I think, as somebody has recognized, we have pluses and minuses on it. The one, obviously, that we have difficulty with is the costs associated with generating power. However, we do feel the money available to get us off electricity or for substitute fuels is good. I am not sure in fact I would say the Minister of Energy should not be

able to direct Hydro to do things that are non-generation of power. I guess that is where I would disagree with Mr Klopp.

**Mr Jordan:** And what about the part absolving the board of directors of any responsibility or accountability?

**Mr Varcoe:** I guess it seems to me if you tell them what to do and they do it, it is pretty hard to hold them responsible for doing it.

**Mr Jordan:** Do we need a board, then?

**Mr Varcoe:** Well, I have not thought too much about that. I would say you probably do need a board. There are other things the board does besides determine rates so that I think, yes, you do need a board. But it has to be very difficult to be a board member and feel you are doing your job if, on major decisions, you are told what the decision should be.

**Mr Wood:** Thank you very much for coming forward. I find it interesting that you are saying that back in 1963 the decision was made to go all-electric and that some of the students have their windows open and one thing and another. My wife and I managed to have two of our daughters educated through university and they are teaching now, and it seems to me, having gone through that over a period of 10 years, that it is the parents throughout Ontario or throughout Canada who end up paying those bills. The decision was made to go electric, which is very expensive now.

**Mr Varcoe:** Yes.

**Mr Wood:** Okay, that is just a comment.

**Mr Varcoe:** It is the parents. In all honesty, it is the government too. As you know, 75% of our funding comes from the province. The only thing is that in our internal distribution obviously we have to put more money to utilities than we would like to. We are above the provincial average in terms of how much of our total expenditure goes to utilities.

**Mr Wood:** Just along that line, it seems to me that with everybody involved, such as students, parents and the taxpayers of Ontario, everybody would benefit if fuel switching and the cost of heating and cooling the university could be reduced by 50% or 60%. Everybody would benefit in the long run.

**Mr Varcoe:** Yes, they sure would, any money that is saved. It is like when we discuss salaries with faculty. I keep telling them that money that does not go to them does not come to me; it stays in the system and goes to books, equipment and all the other good things that everybody likes. It is the same with energy. Money we do not have to put to energy goes some place else that we need to put some resources into.

**The Chair:** I thought you were going to argue that everybody would benefit if funding kept pace with increased costs. Mr Varcoe, thank you very much for coming here today. We appreciate your participation.

**Mr Varcoe:** Thank you.

1530

## TAXPAYERS COALITION OF NIAGARA

**The Chair:** The Taxpayers Coalition of Ontario is here. Come forward, have a seat and tell us, of course, who you are and your capacity with the coalition. We have 30 minutes. Give us time for questions and answers.

**Mr Sheehan:** My name is Frank Sheehan. I am the chairman of the Taxpayers Coalition of Niagara and I am secretary-treasurer of the Taxpayers Coalition of Ontario, which is a federation of various taxpayers coalitions. I would like to speak on some of the aspects of Bill 118.

We would like to object somewhat strenuously on two specific points: (1) the expansion of the number of directors; (2) the expansion of the powers of the Minister of Energy to dictate policy which is not related to the production, generation or distribution of power to the board of directors of the Ontario Hydro corporation.

Historically, crown corporations in Canada have enjoyed a certain degree of independence from the Legislature which gives them life and the political party which happens to control the Legislature at any given time. The proposal to expand the board of directors of Ontario Hydro by five immediately is a blatant attempt by the governing party to seize instant control of the board of directors of Ontario Hydro rather than to wait for the opportunity to replace existing members on the board as their term of office expires.

Similarly, by expanding the powers of the minister, the act will enable a government to use the Ontario Hydro corporation as a means of implementing and financing various social policies which it deems necessary or expedient.

Ontario Hydro was not designed to be a vehicle for any political party to implement social policy. Hydro's mandate is for the production, generation and distribution of electrical power at cost to the population of Ontario. Since Ontario Hydro's total asset value is approximately \$42 billion and its current debt is \$37 billion, it is in no position to finance anything except power.

The following acts appear to have occurred or are proposed: (1) There has been a \$67-million donation to the Elliot Lake heritage fund; (2) Between \$250 million and \$354 million has been paid against uranium contracts which had been cancelled by the previous government; (3) It is reported that job-saving adventures at the Spruce Falls paper mill in Kapuskasing will cost Ontario Hydro an estimated \$167 million for the purchase of a power generating station, a further \$500 million for the development of dams and for improvements to the power plants to augment production capacity of these power stations, plus provide 80 years of free hydro to the paper mill. It is estimated that these mandated costs are equivalent to about \$3.5 million for each of the 600 jobs saved.

The Taxpayers Coalition of Niagara and the Taxpayers Coalition of Ontario object strenuously to the cancellation of this long-standing separation between the crown corporation and the ruling government and to the consequent wanton waste of scarce resources in a questionable maintenance of a non-productive facility.

It is regrettable that a major supplier of work has ceased to be competitive, but it is unreasonable for the government to expect the rest of Ontario to pay such an outrageous price for the protection of these jobs. History indicates that there will be no end to the cost of subsequent subsidies required to maintain these facilities. We respectfully suggest and request that the government cancel these proposals.

**The Chair:** I should indicate we have a healthy amount of time, some eight minutes per caucus.

**Mr McGuinty:** I do not think I will require that amount of time, but why do I not begin? Will you expand a bit more on why you are objecting to the expansion of Hydro's board?

**Mr Sheehan:** I think the board, its present size, has been that size for a long period of time and it has been doing a fairly effective job. What is the reason for it?

**Mr McGuinty:** I am not sure of the reason for it, but some of the people who have come before the committee have indicated that they would be in favour of such an expansion on condition that they or a representative from their group were appointed to the board. There is some thinking going around now that is rather fashionable. It says that if we have representatives from various groups on certain bodies, that will somehow make the body operate more effectively and efficiently. I am just wondering what your reaction is to that.

**Mr Sheehan:** I would suggest that if you want to make it a broader representation of the people who are on that board, as the people who are currently on the board retire, you replace them with people from that group. Bigger is not better.

**Mr McGuinty:** Those are my questions. Thank you.

**Mr Jordan:** Thank you, sir, for your concern about Bill 118. Are there sections of the bill that you do accept as necessary?

**Mr Sheehan:** Some of them I am not knowledgeable on. The ones that have bothered me are the political ones I have mentioned. As to the others, I am not knowledgeable enough on the subject of the hydro-electric commission to comment.

**Mr Jordan:** The projected cost of hydro could go up 44%; they have indicated that possibility. Do you see as a result of this bill that we are going to be able to turn that around?

**Mr Sheehan:** I do not know if the bill is going to do it, but I would certainly hope that you could do something about the size of the bureaucracy that runs Ontario Hydro. It is a colossus. It has done nothing but get bigger. I have never seen anybody cut the size of it—have you?

**Mr Jordan:** When you are saying "cutting the size," you are talking about operation, maintenance and administration?

**Mr Sheehan:** The whole thing. With Ontario Hydro, like most municipal vehicles, it is the classic syndrome of four trucks to lift up a manhole cover to see what is underneath the manhole cover. Hydro seems to enjoy the same surfeit of staff and vehicles to go around and pursue whatever.

The threat is always that we have to have them so when there is an ice storm we will have the people on hand to do it, but that is a big price to pay for the last ice storm we had around here.

**Mr Jordan:** What recommendations would you make as to identifying the areas that you feel need reorganization?

**Mr Sheehan:** I am not qualified to sit in—we could make a study on that, I guess. We have other things on our plate. We object to the politicization of Ontario Hydro. That is our main thrust. To me, the government is using its authority to make social policy, and that should not be funded out of something whose sole objective is very specifically stated to be the production, generation and distribution of hydro. I think that Hydro should be run like a business and that, notwithstanding errors of the past, those errors should not be compounded, such as paying out the uranium contract.

Ontario Hydro is leveraged up beyond what most businesses could be leveraged at. Its debt capacity, I am told—and I am a pretty good authority—is \$37 billion against assets of \$42 billion. I would say they have some big-time problems because they have some big-time operational problems that we read about in the paper. So I think Ontario Hydro should do what General Motors is having to do and any other business is doing, down to the corner store: looking at its operational costs and sticking to its business, not getting outside of that business.

**Mr Jordan:** Thank you very much.

**Mr Arnott:** Thank you, Mr Sheehan, for coming in this afternoon and giving us your views. The latest update to the demand-supply plan that Ontario Hydro is working with, which came out a couple of weeks ago, indicates that a full \$6 billion is projected to be spent on demand management initiatives over the next 10 years. What figure did you use for the net debt of Hydro?

**Mr Sheehan:** It was \$37 billion.

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**Mr Arnott:** If you compare those two numbers—I was working under the assumption it was \$30 billion. I do not know how they are going to spend \$6 billion. Maybe it is a socialist's dream to have an opportunity to spend \$6 billion on certain things, but they will couch it in terms of demand management, I guess. What do you think they are going to use our money for? Do you have concerns about that?

**Mr Sheehan:** I do not have any problem with them teaching me a better way to manage my electricity. The lightbulb, I think, is an excellent idea. That is a good promotion.

**The Chair:** Mr Jordan, do you want the floor again for a moment?

**Mr Arnott:** Mr Jordan will tell you a thing or two about the lightbulbs; \$7 million on those lightbulbs.

**Mr Sheehan:** I do not think \$7 million against the gross revenues of Ontario Hydro is a lot of money. I know, for example, that the local hydro-electric commission's budget is larger than the city and the region when you throw out education, so it is a big business. I think they should be looking at their processes. I think they should be

looking at their buying; I think they should be looking at their personnel; I think they should be looking at the kind of savings and the wage increases they are passing out. I think there are other ways to skin that cat.

Just as a matter of interest, we thought we were wailing into the dark, but the secondary school teachers' federation down in Blenheim is announcing that it is making a deal with the school board to work towards a zero increase in that budget. So these things are possible. I think Hydro had better start applying the business principles that have to be applied by myself in my little business and by fellows in this room who have businesses and who are trying to survive and make a living.

**Mr Arnott:** Including counting millions of dollars, in fairness. I think \$7 million is \$7 million no matter how C. D. Howe counts them.

**Mr Sheehan:** C. D. Howe pleaded, "What's a million?" It will never be forgotten.

**Mr Arnott:** Thanks.

**Mr Dadamo:** Mr Sheehan, thank you. Not in defence of Ontario Hydro—I am curious like most people are, and I just want to ask you a couple of questions. I wanted to segue back to the thought that Mr McGuinty had about the size of the board. What I am trying to extract from you is what everlasting damage, permanent damage, there would be if we increased the board size from 17 to 22, and possibly added some groups out there who are not represented on this board. For heaven's sake, we could probably bring a plethora of different ideas and another perspective, something like that.

**Mr Sheehan:** Can you tell me who some of these groups are? I have not read anything about them.

**Mr Dadamo:** I do not know who these groups are and I am not pretending to know, but I am thinking there must be one, two or three out there who are not represented. I am asking you, do you know of any?

**Mr Sheehan:** I do not know of any group. I think people who run that board should know about production, generation and distribution of hydro-electric power to the province at cost, as was the mandate. I do not know who they are, but I could guess there are probably going to be ecologists and probably some women's groups and some multicultural people; I do not know. Everybody seems to have an axe to grind. I think you are running a very large business which impacts in a very heavy-duty way on this province and that you should have people who are competent to run that business and not people who have a special interest or an axe to grind.

**Mr Dadamo:** Are you saying there are not competent people in those groups that we could put up?

**Mr Sheehan:** That is not relevant.

**Mr Dadamo:** That is not relevant?

**Mr Sheehan:** No, I do not think it is. If they are competent—whether they belong to that group is neither here nor there. They should be there because of their competence first, not because of their association.

**Mr Dadamo:** Okay, I guess we could argue for ever.

**Mr Sheehan:** No, you have given me 30 minutes. We are now at about 10.

**The Chair:** Thank you very much. Mr Wood.

**Mr Wood:** I just wanted to have a little bit of discussion or a question. You have raised the issue of Kapuskasing, the Kimberly-Clark/New York Times operation that was there, and they owned the powerhouse. I do not know if you are aware of the fact that going back probably 40 years ago, a decision was made to build three powerhouses there and that they would buy the fourth one and would have the four powerhouses there.

A decision was made, I guess from 1984 to 1989, where an agreement was signed, an option to buy the powerhouse, with the money to be turned back into modernizing and updating the paper-mill. Then the decision was made later on, "No, we just want to get out of the operation and take the \$100 million, plus interest, and leave." And then the negotiations; we have had a lot of praise that the negotiations that took place were to the benefit of everybody in the province. They benefited Ontario Hydro; they benefited Kimberly-Clark and the New York Times; they benefited the new owners, Tembec, employee ownership. There were all kinds of benefits there with a very small amount of money involved in the whole situation. It is a matter of three governments that have basically all decided the same thing over the last 10 years—to proceed with that type of transfer of the privately owned powerhouse to Ontario Hydro. I am wondering if you have any views on it.

**Mr Sheehan:** Am I correctly informed that the paper-mill was having a hard time being economically sound?

**Mr Wood:** No, that is not the case. They always made a profit in the 75 years they were there. It was a viable operation.

**Mr Sheehan:** Our source of information is the newspaper, so take that as a qualifier.

**Mr Wood:** I worked in there for 30 years. It was a viable operation that always made money.

**Mr Sheehan:** Why did they want to get out of it, then?

**Mr Wood:** They just did not want to make newsprint any more.

**Mr Sheehan:** If the thing is viable, why do we have to have Ontario Hydro committing to give 80 years of free hydro-electric?

**Mr Wood:** It is worked into a 10-year credit. That was an arrangement that was made back in 1989 on a five-year option, and they fulfilled that agreement.

**Mr Sheehan:** So Ontario Hydro is giving the private enterprise people free hydro as well?

**Mr Wood:** There is a loan in there of \$34 million that will be paid back over a number of years.

**Mr Sheehan:** Are you saying they were giving them free hydro?

**Mr Wood:** Before?

**Mr Sheehan:** Yes, before the government went in and worked this 10-year deal.

**Mr Wood:** The mill had its own powerhouse and it wanted to sell it off.

**Mr Sheehan:** They had a mill, and now Ontario Hydro is buying a power plant whose sole purpose is to supply hydro to a private enterprise, right?

**Mr Wood:** There are four powerhouses there, one after the other, along the river.

**Mr Sheehan:** But this one in particular.

**Mr Wood:** Yes. They will continue to operate it under Ontario Hydro.

**Mr Sheehan:** Is anybody arguing with the numbers I have read?

**Mr Wood:** There is a number out there, and if the environmental approval is not granted to expand the three powerhouses, there is a cost that could be involved somewhere along the line. The intention for 40 years has been to expand them. The three powerhouses that Ontario Hydro built there in 1959 to 1963 were built and designed for expansion with the idea that they would buy Smoky to have a fourth one. These are the plans they have had for 35 or 40 years.

**Mr Sheehan:** If the paper-mill closed down, would Ontario Hydro still buy that hydro plant because they had put it into the grid?

**Mr Wood:** Yes.

**Mr Sheehan:** How come that does not come across when we read it in the papers?

**Mr Wood:** The papers do not always give the factual information.

**Interjection:** Do you believe everything you read?

**Mr Sheehan:** I can only do with the source of information I have in my hand.

**Mr Wood:** All the reporters who have been doing the reporting have not been up over there to visit the area and talk to people in the community personally. They have taken secondhand information and reproduced it.

**Mr Sheehan:** If they bought the plant for \$167 million—

**Mr Wood:** It was \$100 million plus interest.

**Mr Sheehan:** Is that accrued interest or accumulated interest, or is that forgivable interest?

**Mr Wood:** We would have to talk to Peterson about that. He is the one who made the deal.

**Mr Sheehan:** The current government completed it, though, did it not?

**Mr Wood:** They completed the option that was there for five years, yes.

**Mr Sheehan:** Let me put it another way. Is it going to cost the province of Ontario approximately \$3.5 million a job to retain those jobs?

**Mr Wood:** It has not cost the province of Ontario a penny so far. There is no intention of costing the province of Ontario any money at all.

**Mr Sheehan:** Is Ontario Hydro not committed to give 80 years of free hydro? Does that not have a value?

**Mr Wood:** Yes, but they are generated from the powerhouse and from the other three powerhouses.

**Mr Sheehan:** Who owns the powerhouse now, Ontario Hydro?

**Mr Wood:** Ontario Hydro owns four powerhouses there.

**Mr Sheehan:** Are they going to get any money from the paper-mill?

**Mr Wood:** There is a loan of \$34 million that Ontario Hydro is giving for modernization.

**Mr Sheehan:** I guess I would never make a politician.

**Mr Wood:** Briefly on the Kirkland Lake situation—I do not know if I have time—I understand from the information I have that had the agreements with Elliot Lake not been cancelled, the cost would have been about \$1.4 billion to the ratepayers in Ontario. By cancelling those agreements with Rio, Algoma and Denison Mines, and by putting about \$65 million into the heritage fund, the ratepayers in Ontario are saving somewhere between \$1.3-\$1.4 billion as a result of a token amount that was put forward to help out that area of Elliot Lake.

**Mr Sheehan:** The point is that Davis's government made a bum deal about 10 years ago, I think it was, when he committed to buy all that uranium.

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**Mr Wood:** At an inflated price.

**Mr Sheehan:** Peterson cancelled it. I assume he did it on a legal basis and he paid whatever penalties he had to pay. That was already done, from what I understand, and now we have this government making a \$65-million payment out of Hydro funds.

**Mr Wood:** In order to save \$1.4 billion; that is the information I have.

**Mr Sheehan:** The information was they were contracts that had been cancelled and had been done.

**Mr Wood:** That is not the information—

**Mr Sheehan:** Did the uranium mining people say it was okay to cancel their contracts as long as you give \$65 million to the citizens? That is effectively what you are saying, because the heritage fund, I assume, is the city of Elliot Lake.

**Mr Wood:** They have told Ontario Hydro to buy the uranium after a certain point in time at world prices, which is a saving of \$1.4 billion, from what I understand, to the ratepayers of Ontario Hydro.

**Mr Sheehan:** The point is you gave \$65 million from a company that has financial trouble. You made a charitable donation.

**Mr Wood:** A lot of the financial problems are decisions that were made to build nuclear power stations that have been very ineffective. They have run up an enormous debt over the years, and we as a government are trying to correct that. Hopefully, with information that is coming forward at this committee, we will be able to do that with Bill 118.

**Mr Sheehan:** Are you suggesting to me that I am not reading it correctly, that there are no social policies involved in any of these payouts?

**Mr Wood:** I have never accepted that there is a social policy payout, no. Some people have made that presentation, that they see it that way. But a lot of the newspaper reporting that has come through is not saying the same thing. The people who represent 75% of the land mass of the province of Ontario do not feel the way you do.

**Mr Sheehan:** You are talking land mass; you are not talking population. There is a hell of a difference.

**Mr Wood:** Well, yes, there is a hell of a difference, that is for sure.

**Mr Sheehan:** What about the people who are paying the bills?

**The Chair:** Mr Wood, Mr Huget is going to get angry with me, and I am just a sensitive kind of guy. I do not want people mad at me. Mr Huget.

**Mr Huget:** You raise an issue you have discussed in detail with Mr Wood about some of the past and present situations with Ontario Hydro and its activities. My question to you is, to whom do you think Ontario Hydro should be accountable?

**Mr Sheehan:** I think the shareholders, the people of Ontario. That is who I think own it.

**Mr Huget:** Accountable to the general public of Ontario, you and I?

**Mr Sheehan:** Yes.

**Mr Huget:** The other issue is when you look at policy directives. You are quite strong in your opposition to having government meddle with Ontario Hydro. I would suggest that government has indeed meddled with Ontario Hydro for a long time. They have not done it in front of you, but they have been doing it. What I am saying is that policy directives can incorporate a whole bunch of different things, depending on your viewpoint, I think. Energy efficiency and conservation, for example, is a policy directive. Productivity and cost-effective delivery of service may be a policy directive; I do not know. But you are saying that government should not really do that, that there should not be any political influence.

Are you saying, then, that government really has no role in Ontario Hydro for things like energy efficiency and conservation, things like environmental regulations, things like the decision-making process that led up to the implementation of a nuclear strategy? Does the government not have any role in that?

**Mr Sheehan:** The government had the right, on behalf of the people of the province, to appoint directors to this corporation. The directors of the corporation, as I understand corporate structure, are responsible for the policy and direction of the corporation. That buffer has been one of the things that have kept Canadian crown corporations somewhat successful. But when you get direct political philosophy being able to impinge on the authority you have given to those directors, then you are subverting the concept. You are not elected to do that.

**Mr Huget:** What I am trying to get to is that we are elected and accountable to the public, and I think you have said that Hydro should be accountable to the public. We think things like energy efficiency and conservation, for example, are in the public's best interests. I do not see anything subversive about that.

**Mr Sheehan:** You have appointed the directors and you can control who the directors are, and I would assume—for any board I have ever been on, if I had a chance to control who the directors are, I sure wanted to make sure they were somewhat sympathetic to my point of view, but I also wanted a broader perspective because I know my point of view is not 100 cents on the dollar; it is just one point of view.

**Mr Huget:** I appreciate your views.

**Mr Waters:** I have heard a lot about energy at cost. Do you feel it was Hydro's mandate, let's say, in the broad spectrum—I have heard that it is not to produce power, only to transmit power, but we will even take what other people have said, the production and transmission of power. Do you feel the rates should also include the cost of disposal of the fuel rods safely and the decommissioning costs of these plants? Do you think that should be in our rates at the same time?

**Mr Sheehan:** It is the cost of doing business.

**Mr Waters:** So that should be part of the rate structure of Hydro at this time. They know there is going to be a cost there. Should that not be part of their rate structure?

**Mr Sheehan:** It has to be factored in as part of the overhead.

**Mr Waters:** Thank you very much, because it is not, at this time.

**Mr Sheehan:** It has been a long time since Hydro was perfect.

**The Chair:** Mr Sheehan, you and the taxpayers coalition have done it again. You have provoked and caused us to reflect on some things that probably warrant reflecting on. Thank you very much for taking the time. You are quite right, if it comes to pass that those new board positions are created, the likelihood or the possibility of, let's say, somebody from the Provincial Council of Women of Ontario being on the board is very much there. Then again, maybe the prospect of somebody from the Taxpayers Coalition of Ontario being on the board is not such an unattractive proposal either. We thank you, sir, for your participation, your interest and for the work you put into all your tasks.

**Mr Sheehan:** Thank you for the time.

#### RIVERWATCH INC ONTARIO ENERGY ENVIRONMENT CAUCUS

**The Chair:** We have with us Dave Mochrie, the president of Riverwatch Inc. Sir, come on up, be seated.

**Mr Mochrie:** Good afternoon. My name is Dave Mochrie. I am, as you know, the president of Riverwatch. Riverwatch is an environmental group located in Cayuga, Ontario, just southwest of here. This is greater downtown metropolitan Cayuga, of course.

I am on the steering committee of the OEEC, the Ontario Energy Environment Caucus, which is working with the Ministry of Energy on a two-year contract. There was a presentation to be made subsequent to mine by another member of the OEEC steering committee, but he got tied up with Bill 143 and was unable to make it today. So I am here as a member of Riverwatch and as a member of the steering committee of the OEEC. I want to touch on a couple of points.

**The Chair:** OEEC, you are referring to the Ontario Energy Environment Caucus?

**Mr Mochrie:** Right. What I want to do is touch on a couple of topics very briefly with Bill 118. Others presenting on other days, in other areas of the province, will do it a lot more eloquently than I will on some of those areas. Then I will focus on one point which is of concern to a large segment of the population of Ontario, an area being covered again with Bill 143 right now. I will get to that.

First off, we feel that Hydro must be accountable. It has been stressed by past governments for the last 20 years that we have to be accountable to the people, and I think Bill 118 helps greatly in that regard.

The second point is with subsection 56a(3) of the act. It clarifies the intention of the utilities to look at overall energy efficiency. The old act looked at electrical efficiency. I think it is important that we look at overall energy efficiency, not just electrical.

My main concern I wanted to speak to you today about was with clause 56d(a) of the present act. This section is not included in Bill 118 but we believe it should be. This section deals with alternative fuels and, if I may, I will read it:

"The corporation, with the approval of the Lieutenant Governor in Council, may,

"(a) use any of its works to produce heat energy, by the use of any fuel, whether alone or in addition to or in lieu of the use of the works to produce power."

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The concern we have is with the words "any fuel." The problem with any fuel—and we are coming up to this in the province now—is in the area of garbage incineration. This is something we will get into later. Our concern is that because the way the law is right now and the ruling by the Supreme Court of Ontario in re Canadian Environmental Law Association and Pitura, it noted that waste disposal approvals are necessary only if the materials to be disposed of are "wastes." If not defined or designated as a "waste," the material will not require the plethora of approvals. But, given the definition of "waste" in part V of the Ontario Environmental Protection Act and the great number of wastes designated pursuant to the waste management regulation, in most instances if a material does not have a further beneficial use it will be found to be a "waste."

The concern now is that incinerator proponents are looking at municipal and industrial garbage as having a future use, the future use being energy. We feel they will be coming in and trying to make use of the Power Corporation Act to give credibility to their incinerator proposals.

My concern is with the proponents of "energy recovery," a process which, by definition, is "incineration," in the Guidance for Incinerator Design and Operation, December 1988, Jim Bradley, Minister. By this definition it is another term for incineration of municipal and industrial waste. Proponents of energy from waste will be arguing that municipal garbage or RDF, refuse-derived fuel, has a use so it is not a legitimate waste.

A little bit of my background: I have been involved with large incinerators and combustion instrumentation for approximately 20 years, mainly in the steel industry. I work day to day with huge furnaces and pollution control equipment. The last couple of years I have been working on a contract basis building large mills around the province. This is 20 years, I feel, that has given me the experience and the credibility to make some comments on incineration and the purported beauties of the pollution control equipment that goes along with it.

As well, I own a heating business that deals in the residential and light industrial markets. I have found in my conversations with many consultants working for proponents of garbage incinerators that I have a lot more experience than many of them working for the proponents trying to build these. That is a little of my background.

Last year Mrs Grier issued what many still believe is a ban on incinerators, but is really only a press release stating some of the very real reasons why waste incineration is a dangerous practice. I realize the government is under a lot of pressure from proponents, from Metro Toronto and from the Association of Municipalities of Ontario to drop this ban. There are advocates even within various ministries. The problem is that all their reasons revolve around easing Metro's garbage woes and not with the health of the people and the environment of Ontario.

Energy recovery proponents are trying to convince the government and the residents of Ontario that their proposals are not incinerators but recycling and energy-recovery facilities. RDF, which is refuse-derived fuels, as I have said, is the making of fuel pellets by combining municipal waste, plastic and wood chips.

Bill 143 is before committee and deals with changes to the EPA. An obvious omission that has been pointed out over and over again for the last few weeks at the committee hearings is that Bill 143 does not include a ban on incineration and has no controls or regulations dealing with the private sector. What it states is that the proponents do not have to consider garbage incineration in their proposals for environmental assessment. They do not have to consider it. It does not say, "Thou shalt not in the province of Ontario."

I could give you a long list of the health and environmental impacts of incineration, but you are all aware of those. It has been discussed to death for the last number of years. The problems with incineration and burning of these RDF pellets or used oil, which has the occupational health and safety people concerned, have been, and are being, spelled out again and again to the committee looking at Bill 143 right now. But on the energy side, energy recovery, EFW or whatever, is extremely inefficient. A good example is Sweden. They burn 50% of all their garbage. They pro-

duce, from EFW, 1% of their power. That is 1% of their power at a cost of large environmental and health problems. They now know, as does the federal minister's advisory committee on dioxins and the burning of waste, that municipal garbage is the major source of dioxins and furans into the ecosystem.

The Ontario select committee on energy estimated that energy from waste has a maximum potential of only 300 megawatts. If you combine this with Ontario Hydro's recent reduction in demand forecasts we can see that Ontario does not need incineration of waste as an alternative energy source. We have in Ontario many small mothballed hydraulic plants sitting idle whose cost to retrofit would be extremely less than the hundreds of millions of dollars for each EFW plant or energy recovery facility, however you want to label it. We also have the whole field of renewable energy, solar and wind power. What it boils down to basically is that incinerators are out of style, out of fashion; they are low-tech at best. The technology involved in incinerator pollution control equipment—and I know this from having worked on them for 20-plus years—has not evolved greatly in a long time. So the high-tech they talk about, the state of the art, is very low-tech at best.

For all these reasons we feel it is imperative to clarify clause 56d(a). Bill 118 must include a detailed definition of the types of fuel which would be allowable or included in conservation programs or qualify for funding programs. This list should not include municipal or industrial waste in any form. Thank you.

**The Chair:** Thank you, sir. Mr Jordan, then Mr Arnett.

**Mr Jordan:** Thank you very much for your interest and your presentation. Do you not see a future for energy from waste?

**Mr Mochrie:** Not at all.

**Mr Jordan:** Can we just pull the curtain on it and not—

**Mr Mochrie:** We can list very quickly the reasons: It is inefficient. At less than 25% efficient you are getting down below nukes even, in efficiency. The health hazards are horrendous, the cost to build them is horrendous, the payback period is long, and municipalities in the United States right now have pulled the plug on the EFW units because they just do not generate enough to pay the loans.

**Mr Jordan:** What about the one at Oswego, New York? Are you familiar with that one?

**Mr Mochrie:** No, unless it goes by a name other than I am familiar with.

**Mr Jordan:** No, it is not a large community. It is across from the city of Brockville, near Ogdensburg. That is beside the point, but they are—

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**Mr Mochrie:** What it boils down to with incinerators is that there is one final argument you cannot get around. When I bring these up to the consultants for Toronto's proposed incinerators, generally it ends the topic. It ends the discussion and they walk away. There is a law called the conservation of mass. You cannot destroy mass; you

cannot destroy weight, if you want to call it that. If you put three tons of garbage into an incinerator, the rule of thumb—a friend of mine at CELA would scream if she heard me say that. She told me that “rule of thumb” comes from an old law that it was the size of a stick a man could beat his wife with; it could be no bigger than his thumb. I will get choked if she finds out I said that.

It is very basic to all garbage incinerators, even brand-new; I can tell you of one that is only a couple of years old. Basically one third of what you put in goes out in ash—bottom ash and fly ash. If you put three tons into an incinerator, you will get one ton come out in bottom ash and fly ash. Fly ash is what is collected in pollution control equipment. Pollution control equipment can collect solid particulates very well. That is not the problem. It is not chunks of garbage coming out the stack that you breathe in. If they are big enough they may hurt you when they hit you, but it is not what you are breathing in. The problem is that two thirds of any amount of garbage you put in an incinerator comes out in the form of gas vapour.

**Mr Jordan:** Can that be controlled? That is my question.

**Mr Mochrie:** It cannot. There are no incinerators that retrieve any more than 35%, a percentage in the high thirties, of the garbage they put in. So if you put in three tons, you take one ton of toxic ash out and you have two tons that have gone up the stack. That ends the discussion. It is real. It is true.

**Mr Jordan:** I do not just live that way, that this ends the discussion, because this is January 30, 1992, and God help what we may see five years from now even, or 25 years. I am just saying, is it not an area where some money could be well spent in research to find if in fact it can be controlled at the stack level?

**Mr Mochrie:** Industries such as the steel industry, which I am familiar with, are the big innovators in pollution control equipment. They have been pushed, and pushed very hard, by our provincial government and the federal government on their emissions. As I say, they are some of the big innovators in large-scale pollution control equipment. I am not talking about catalytic converters that go on the end of your car. We are talking big volume, big stuff. They have gone as far as they are going to go for a long time.

The movement around the world right now is to shut incinerators down. We do not want to be starting them up here and learn the lessons—we already have five in Ontario going now. They just do not work. They are inefficient. They interrupt your waste reduction and recycling programs. They are the death knell for recycling programs in a lot of communities, because you are committed to introducing this amount of garbage into an incinerator.

**Mr Jordan:** But are we not trucking some garbage to Detroit now, in that area?

**Mr Mochrie:** Some communities are.

**Mr Jordan:** To an incinerator.

**Mr Mochrie:** But as I say, that does not justify using incinerators. What that points out is the lack of proper waste management programs in some areas of Ontario.

**Mr Jordan:** I read an article where they were still doing considerable study on emissions from waste. It was in the chemistry area of it. It was not that they were going to stop it but that they were going to, in some way, neutralize it, that it would not have the effect it does at the present time.

**Mr Mochrie:** The technology does not exist. We would like to have colonies on the moon and orbiting space stations for millions of people above the planet, but—

**Mr Jordan:** Maybe when they come back today they will tell us.

**Mr Mochrie:** They made it back. But it does not exist right now.

**Mr Arnott:** Thank you for your presentation. I am pleased you brought up the issue of waste management in this discussion with Bill 118, because one of the issues that has not been raised enough, I think, as one of the drawbacks of Bill 118 is that if it is passed as is and we spend great quantities of money on demand management schemes, many people are going to end up taking out their perfectly good, working baseboard heating units as well as electric furnaces and, if we get into, as some have suggested, subsidizing the purchase of high-efficiency appliances, all those things that are in perfect working order probably are going to end up in the waste stream. I asked that of a couple of presenters and one fellow said, “Well, we’ll recycle them.” We do not have recycling programs for old stoves.

**Mr Mochrie:** They are trying to develop facilities like the Waste Wise facility that keeps coming up. Good friends of mine are the ones who put that together.

**Mr Arnott:** Is that going to be ready in the next year when these incentives are in place?

**Mr Mochrie:** Do we compound errors in the past because we are worried about a few baseboard heaters and a few pieces of equipment this year? Do we keep cutting our nose off—

**Mr Arnott:** All I am saying is that is a drawback of this legislation that people are not considering.

**Mr Mochrie:** Again, you are propagating the problem. What is the future cost and the damage of these nuke stations that nobody knows how to mothball? The British are looking at trying to mothball one very shortly. They are guesstimating \$30 billion. That would buy a lot of baseboard heaters. They still do not know how to do it. We will have some coming up in the future and nobody knows how to do it.

**Mr Jordan:** It is not the same system.

**Mr Mochrie:** I am saying that we are nitpicking, worrying about a few baseboard heaters and a few electrical furnaces. I do not mean to belittle—

**Mr Arnott:** I know, but in my riding waste management is a big issue.

**Mr Mochrie:** I know it is.

**Mr Arnott:** It is something people feel is important.

**Mr Mochrie:** But as I say, what is the cost of these megastations in comparison? Look at Darlington, \$13.5 billion. That is a lot of baseboards.

**Mr Jordan:** Half of it by delays.

**Mr Arnott:** Half of it by delays and half of it because of enhanced safety measures that have been put into it, and delays because of political interference, I understand.

**Mr Mochrie:** Equipment is going to fall apart just by normal attrition, so if people are encouraged when equipment fails to switch to better forms—natural gas where it is usable, where it is available. There is less carbon released into the atmosphere, burning oil even, in each household than in generating inefficient—

**Mr Jordan:** What effect will that have on the global warming?

**Mr Mochrie:** The problem right now is that the effect is worse because we are producing power out of, say, oil-driven stations. By the end of it we have a 25% efficient station pumping huge amounts of carbon and greenhouse gases into the air when home oil furnaces are 75% to 85% efficient.

**Mr Jordan:** I only know of one oil-fired generating station in Ontario.

**Mr Mochrie:** I cannot give you a list of how many.

**Mr Jordan:** The question comes up, is it easier to control the emissions from burning oil in one large stack and how do you control the emissions from 650,000 homes? What is the relationship of the individual quantities to the total?

**Mr Mochrie:** If you have a million furnaces burning at 75% to 80% efficiency versus heating those houses and a single source that is operating at about 25% efficiency, then your overall efficiency is 25% versus 75% to 80%. It speaks for itself, as far as I am concerned.

**Mr Jordan:** I think there is a lot of work to do on it.

**The Chair:** We are going to move on to the next caucus. I should not do this, which is why I will, but I think that people who had those electric baseboard heaters would simply leave them there after they have installed their forced-air system. In the event that Mr Jordan is right, you have a dual heating system and heck, why would you want to throw them out, in any event?

I have to tell you that down at the Welland dump—I take the pickup truck out there occasionally on a Saturday morning—Ben Lacroix has the contract and I have seen the occasional electric stove come in there. The people down at the Welland dump are very careful. That stove is picked over, isolated and stripped down. The copper is separated. The other metal parts are separated. I do not know about other parts of the province, but you can come down to the Welland dump with me any Saturday morning and watch a recycling program we are exceptionally proud of. In any event, Mr Klopp wanted to ask a question, but Ben Lacroix deserves a lot of the credit for that. He is as hardworking, effective and committed a dump operator as

you are ever going to find. I enjoy his friendship and I respect his skills. Go ahead, Mr Klopp.

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**Mr Klopp:** You had some reasons for wanting to have section 56b in this bill. I would love to discuss some of those reasons with you, but that is another issue, about the burning and all that good stuff. One of the things we are changing this time in the bill is allowing Hydro to not just look at electricity. It has taken 60 or 70 years to get it changed; if this bill passes, it will be changed. I think there are enough other safety factors—the Environment minister probably overrides stuff—for us not to put in the bill, that you cannot just have any form, that you have to have them all written down. God knows, say we forget to write solar down as one of those energy sources. God, you never know. Then we might tie ourselves so that somewhere down the road some government has to come in and try to force exactly what Bill 118 had to do to get Hydro and the government to show that they could also work on other sources than electricity.

Your argument is one that I would have discussion with as a rural Ontario person because it seems my farm is where everybody wants to dump their stuff. I know we are working on those other issues, but for us to put in, "Here are all the five areas they can have and nothing else," in 10 or 15 years it might be very hard for somebody to—other groups would have to fight like hell and take 30 years for whatever government to wake up and force Ontario Hydro to change 56b and add, I do not know what, divots. I think there is enough. I disagree with worrying about that now because I think the Ministry of the Environment, for better or worse, probably overrides those things that you actually talked about.

**Mr Mochrie:** First off, I disagree.

**Mr Klopp:** Sure. Otherwise you would not have brought it up.

**Mr Mochrie:** Yes, I would not be here. As I mentioned, Bill 143 is before a committee right now, as we speak. As it stands, the ban on garbage incineration has no teeth. It is basically a decision by a caucus, I guess, that this is not a desirable thing in the province. It does not exist as a policy statement. Policy statements themselves have no teeth. We can see that from the wetlands policy statement. It means nothing unless it is law, even a policy statement. This ban on incineration is being argued by members of the Ministry of Energy. A gentleman named Barry Beale with the Ministry of Energy writes articles in the AMO extolling the virtues of incineration. There are members of the Ministry of the Environment staff—not the minister's staff, but the staff of the ministry—who argue in favour of garbage incineration because it is an easy out for Toronto's garbage woes.

I am not saying that we list every fuel possibly known in this new bill. What I am saying is that we just eliminate municipal and industrial garbage. Take the one fuel, municipal and industrial garbage, and eliminate that as a fuel. That does not eliminate wind, solar, river or anything else.

**Mr Klopp:** What I understand of Bill 143—when it was in the House in discussion I looked at it a little bit—is

that it does state very clearly that energy from waste is in that bill but it is not up for discussion for the GTA. It is in the bill; it is not a policy statement. That is why people are coming up and arguing that they do not want it in there. They want it deleted.

**Mr Mochrie:** What it states in Bill 143 is that proponents of waste management systems, when they fill out an environmental assessment document, have to list, according to the Environmental Assessment Act, all the alternatives to their proposal for the minister to look at. They have to list all the alternatives. One of the alternatives Bill 143 has is that they no longer have to list that as one of the alternatives. You see the difference. It does not say that incineration is not allowed in the province. What it says is that proponents no longer have to list that on their EA applications. There is a very big difference between the two.

**Mr Klopp:** Yes, you are right. Bill 143, though, is for the Toronto area, the GTA. It is not for the province.

**Mr Mochrie:** The minister also says that the waste of Toronto will be handled by anybody who has a proper waste-handling licence.

**Mr Klopp:** In the GTA.

**Mr Mochrie:** That has as much clout as the ban on incineration. It is not law. All it takes is a change of government. It takes a change in ministers or enough pressure on the current government by the various parties I listed to change that right now. I say rural Ontario is being held hostage to these big dump proposals. We are in the Brant-Haldimand area, which is currently having a by-election. This is my experience with one incinerator proposal. In meetings with the candidates from the various parties with one proponent, the proponent trundled out this little bag of RDF pellets, which is refuse-derived fuel, a mixture of garbage, plastic and wood chips and said: "This is what we're going to do. We're going to recycle; we're not going to incinerate. We have these RDF pellets. We'll burn those and get rid of them, because this is cogeneration." Those are good words in Ontario right now: cogeneration and recycling. Incineration is a dirty word right now so nobody is even talking about it. A year ago when Mrs Grier's press release on banning incineration came out, this proponent publicly stated in the *Hamilton Spectator*—this is for a 4,000-tonne-a-day incinerator—that it does not affect him because he is an EFW plant, energy from waste.

There are proponents in this province who are lobbying to be classed as recycling plants and they are going to try to be looked at as EFW recycling plants. This is the fourth R, recovery of energy. So I can give you one proponent definitely who considers that this is the route to getting an incinerator established in the province. The one I am talking about is the Enviromax proposal in my area, Haldimand, like I say, for a 4,000-tonne-a-day facility. Proponents such as Ogden Martin are lobbying like crazy right now because they want to build incinerators. The problem I have is that we are running into politicians such as the Metropolitan Toronto council, which just passed a resolution to lobby the minister to lift the ban on incineration and transporting waste between regions, and at the

end of the resolution it states that their technical information was obtained by Ogden Martin, which is a huge incinerator-building company internationally.

If that is not a conflict of interest, I do not know what is. We have Metro politicians who are looking to an incinerator company for guidance on how well its incinerator is going to work. What I am saying is that the idea with these proponents right now, and with the one in particular that I have been dealing with for a considerable amount of time, is that this is the route they are going to gain respectability: through this recycling, with a little bit of energy recovery. The whole idea is to build an incinerator. This is a very real attitude with the proponents in the province right now.

**Mr Waters:** I just want to go back to ask a question about how they would get rid of these terrible baseboard heaters and furnaces. If you did not have the option that Mr Kormos talked about, I would assume they would use the normal thing. When you go to municipal waste sites you have a place to put your metal products, and those metal products in most cases would then go either north of Toronto or to Hamilton, where they would be ground up into nice little pieces, separated and sent back for remelt. Do you not assume that is what would happen with any of those?

**Mr Mochrie:** I would assume, with electrical appliances like that, that they would be done into scrap and recycled through the steel industries.

**Mr Waters:** They separate the copper and all that nowadays with the modern plants, so I would assume that would happen. There is another little point I wanted to get on to. You talked about incineration. I want to talk about a different type. I represent Muskoka. It starts in my riding and goes east and west and north. We have incinerators. They burn sawdust. Nothing happens. They do not produce anything out of it; they just burn sawdust. Do you not think that if we are going to be doing that we should be recapturing some of that and using it as a form of fuel in some way, shape or form? I would like your opinion on that.

**Mr Mochrie:** There are a couple of points there. With people who are burning a carbon-based product like wood chips, you have all sorts of avenues. You can make fuel for industries such as hydro. They have used them in the steel industry; they have used them in various industries. If you are talking about wood chips, there is a hell of a lot of difference between wood chips and municipal garbage. Municipal garbage has a combination of everything known to man thrown in there: toxic volatile chemicals, plastics, plastics loaded with a myriad of chemicals. The chlorine content of plastics—

**Mr Waters:** Yes, but we are talking about straight wood chips that are just being burned for no advantage to anyone else. They are just being burned for the sake of getting rid of them.

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**Mr Mochrie:** I thought you were leading up to the pollution problems; sorry.

**Mr Waters:** No, I just want to know if you feel we should be starting to look at this as one of the alternative forms of fuel in this province.

**Mr Mochrie:** Somebody burning wood chips just for the sake of getting rid of them is wasting a valuable source of energy. All it is going to do is to pile up compost, cause fire hazards, whatever. If it is a byproduct, this is where we as a province should be getting into encouraging—the Ministry of Energy right now, through our experience with the Ontario Energy Corp, is trying to encourage cogeneration, which in that case would be an ideal situation, cogeneration using that, creating heat, using the heat to drive a small turbine to create its own power for around the plant, to run its machines. It saves power from the grid, it saves costs and it is a win-win situation encouraging that. My experience right now is that the Ministry of Energy says it is trying to encourage more cogeneration, which a lot of industries have been doing right now.

**Mr Wood:** The question has really been asked, but for the last 75 or 80 years, I guess, the residue in northern Ontario has been used to generate steam electricity in paper-mills. The trend now seems to be to use this residue—I am talking about shavings, bark and sawdust—with a small mixture of natural gas to produce electricity and steam to heat dry kilns and paper-mills and one thing and another. You are saying this is a good way to go.

**Mr Mochrie:** The wood chips are—

**Mr Wood:** We make paper with wood chips in northern Ontario.

**Mr Mochrie:** Yes. I just finished building a paper plant north of Toronto. The wood chips are there anyway, so burning those and using those—it is much better fuel than burning garbage; it is there anyway. If it is used, then it decreases the load on the grid, which is good.

**Mr Wood:** Thank you very much. There are two running in my riding right now and it looks like there will be a couple more in the next 10 years or so.

**Mr McGuinty:** I enjoyed your presentation. I want to put something to you that has confused me a little bit. We have heard from a number of people who were advancing environmental causes and it had been my understanding that the best thing we could possibly do, the biggest leap we could take, is to go from using electricity to using our renewables and not our non-renewables, which seems to me to be only an intermediate step. It only puts us halfway to where we want to get ultimately.

But there is one exception. We heard from a gentleman yesterday who brought that to my attention. I thought he made a very good point. Why is it that this has happened? Do you know why?

**Mr Mochrie:** I am not quite sure if I understand your question.

**Mr McGuinty:** Why are environmentalists not coming forward and saying, "No, we're only going halfway; what we should be doing is going all the way to renewables"?

**Mr Mochrie:** One, I think because a lot of environmentalists are realistic and realize that Ontario cannot turn around next week and have all of us running on solar

power, wind power, completely renewable sources. It is a huge prospect. It would be lovely if our entire province ran on a renewable power supply, but it is impossible to do. It is advocating more programs to encourage more people. The lightbulb program is great. The savings there alone are estimated—with the cost of generating power right now, any conservation program that we do to cut down our total consumption is good, but I do not think it is realistic. I talk to people all the time about renewables. We are looking at building a school for an environmental project that is on the go out of completely recycled material, renewable energy sources. This is one project. It is not possible to get the whole province over. It is best to go one step at a time and do what we can.

**Mr McGuinty:** Okay. You make a good point, but my understanding is that there are over one million homes now in the States that are heated with solar. I know there are different climate conditions that are obtained there, but what if someone came to Hydro and said, "I'm going to switch and I am going to switch to solar; I can do it," and someone else came and said, "I'm going to switch to natural gas; I can do that"? Should they both be awarded the same grant or subsidy?

**Mr Mochrie:** For one thing, I do not believe we should be funding everybody's whim in the province. If it is economically feasible for me to switch to solar power—believe me, living in this neck of the woods it is not. This is not a good area for it. I do not believe we should be funding an individual who is going to get a payback over a certain period of time. That is my own personal view. I do not expect the government personally to come along and pay for me to go to another form of energy. I think the problem right now is to go to renewable sources. The payback period is too long because the costs of the equipment are too high. I cannot give you a learned, very good answer on that because it is not my field.

**Mr McGuinty:** Back to the principle then. Should we simply be engaging in some kind of advertising campaign to educate people and to attempt to move them off electric heating?

**Mr Mochrie:** I think so. You can see the effect of Hydro's advertising campaign over the last 40 years. We still have a great percentage of people who are putting in electric heat in areas where natural gas is available. Electric heat for the home owner is two, two and a half times more expensive, but people are not aware of the long-term total cost of heating electrically, so it has worked very well for Ontario Hydro for the last 40 or 50 years. I think there would be great payoffs in an advertising campaign to educate people, especially new home buyers, on what they should be looking for.

**Mr McGuinty:** Okay. Just so that I am clear on this, then, are you saying we should engage in and undertake an extensive advertising program but we should not, in addition to that, go through with loans or grants?

**Mr Mochrie:** The money involved—costs, savings for a program like that—I have no information on. Like I said, I cannot give you an intelligent answer on that because

it is not an area I have researched and it is not an area that I am involved in.

**Mr McGuinty:** Fair enough. Thank you.

**The Chair:** Mr Mochrie, we thank you very much. We have taken more of your time than we might have anticipated.

**Mr Mochrie:** It is okay.

**The Chair:** Obviously you have generated some interest in your proposition. We thank you very much for spending time to be with us this afternoon.

That is the last of the presentations for today. We appreciate the hospitality the city of St Catharines has shown us, the transportation capital of Ontario, as Mayor McCaffery would call it, as it will be, I presume. I appreciate the committee's cooperation and the interest of all the people

who came forward here in the St Catharines and Niagara area.

The staff have been particularly helpful to us, especially Ms Manikel, the clerk of the committee, who has juggled transportation, dealt with presenters and who took care of us this week and last week in Toronto and the week before in northern Ontario. The whole committee expresses its special gratitude to Ms Manikel for her proficiency and skill, compassion and caring for the folks who have been trying to participate in this committee. We thank her and we commend her.

There being no other business, we are adjourned until 2 pm, February 17, 1992, at Queen's Park in downtown Toronto.

The committee adjourned at 1640.

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## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

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First Intercession, 35th Parliament

## Official Report of Debates (Hansard)

Monday 17 February 1992

### Standing committee on resources development

Power Corporation  
Amendment Act, 1991

## Assemblée législative de l'Ontario

Première intersession, 35<sup>e</sup> législature

## Journal des débats (Hansard)

Le lundi 17 février 1992

### Comité permanent du développement des ressources

Loi de 1991 modifiant  
la Loi sur la Société de l'électricité



Chair: Peter Kormos  
Clerk: Harold Brown

Président : Peter Kormos  
Greffier : Harold Brown

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Monday 17 February 1992

The committee met at 1404 in committee room 2.

### POWER CORPORATION AMENDMENT ACT, 1991

#### LOI DE 1991 MODIFIANT LA LOI SUR LA SOCIÉTÉ DE L'ÉLECTRICITÉ

Resuming consideration of Bill 118, An Act to amend the Power Corporation Act / Projet de loi 118, Loi modifiant la Loi sur la Société de l'électricité.

#### ONTARIO HYDRO

**The Vice-Chair:** Seeing all three caucuses here, I will call today's hearing to order and turn the floor over to Mr Eliesen, who is going to be before us this afternoon. I believe you have an opening statement that you wish to make, so perhaps we could start with that as the last few members start coming in.

**Mr Eliesen:** Perhaps before I begin my formal presentation I can take a second to introduce some of my colleagues from Ontario Hydro who are with me here today. First there is Dane MacCarthy, who is the vice-president of environment and the corporate planning branch; Allan Kupcis, who is the vice-president of procurement and the power system planning branch; Elgin Horton, who is vice-president of our nuclear operations branch, and Marion Fraser, who is the manager of commercial programs in the energy management and corporate relations branch.

Thank you for the opportunity to appear before your committee today to address the proposed amendments to the Power Corporation Act. I have been closely following the hearings and have been impressed with the range of topics and the depth of feeling that have marked the presentations. It is obvious that Hydro still draws as much attention today as it did when it was set up by the province of Ontario in 1906. Public scrutiny of the provincial monopoly utility is a long-embedded and justifiable tradition in Ontario. In more recent times we have been the object of study by the Porter commission and various select committee hearings in the 1970s.

In the 1980s our demand-supply plan underwent public and government review during its own study and planning stages. We also had the Hare report on nuclear safety and a legislative review of the Darlington nuclear generating station.

We are currently in the middle of an Environmental Assessment Board hearing in which our demand-supply plan is being exhaustively examined, and, of course, over the past two decades our operations have come under annual review by the Ontario Energy Board.

Many of the presentations this committee has heard over the past month have revolved around some long-standing issues as well. The issue of privatization versus public power has been argued as long as there has been an Ontario Hydro.

The repeated reminders that Hydro's mandate is power at cost are another echo of earlier debates and earlier times when electrical power was indeed a bargain in Ontario. Power at cost is still the byword at Hydro, but what goes into that cost today has obviously become much more complex. There is, however, no doubt that providing power to the people of Ontario today is becoming more costly. That reality hit home, certainly to me, last fall when Hydro's board of directors had to determine the 1992 rate increase.

The financial situation was not reassuring. Revenues were down significantly because of the recession we are all experiencing. Net income was also suffering because generating performance, particularly in our nuclear plants, was down considerably. Net income had dropped from about \$700 million in 1989 to \$129 million in 1990. Last year we took in revenues of about \$7 billion, but our net income was only about \$200 million, well short of the comfort level required for such a large corporation. One significant event on our system could potentially wipe that out. This is obviously the scale of the system that Hydro operates today.

There is no question that our 11.8% rate increase for 1992 has not been a welcome announcement at a time when the province is attempting to climb out of a major recession. The main cause of that increase is the \$13.5-billion Darlington nuclear station, which is only now coming into our rate base. We are also learning that the cost of running nuclear stations is much higher than anticipated. Equipment has had to be replaced earlier than anticipated, there were underexpenditures in operations and maintenance in recent years, and there are ever-higher standards being set by the Atomic Energy Control Board.

The Darlington experience has led Ontario Hydro to look at other options when planning for the future. Smaller, single-unit stations are definitely more appealing from a financial perspective. They do not tie up as much capital, there is more certainty about cost estimates and they have a much more moderate impact on rates when they come into service.

Our demand-supply update, which we released last month, looks to energy conservation, cogeneration and rehabilitation of our existing system as priority options. When new supply sources are required, as they eventually will be, smaller, more versatile single-unit stations may provide more flexibility and less impact on the environment. This should help prevent the kind of rate shock that our customers are seeing this year.

As some of you may recall, Hydro has had to impose even higher rate hikes before. In the mid-1970s rates jumped by 13%, 22% and 30% in consecutive years. At that time, Hydro was also absorbing the impact of new facilities going into service and into the rate base.

Darlington and other unanticipated nuclear costs account for more than half the 1992 rate increase: 6.6% of the 11.8%. The remainder is not much more than the anticipated rate of inflation.

When Darlington is fully commissioned it will represent 30% of Hydro's assets but it will not cause anything like the rate increases of the mid-1970s. In fact, I believe that after 1993 we can anticipate far more modest, single-digit rate increases, which have been the norm of Ontario Hydro over many years. We realize the importance of keeping our rates competitive. Our customers certainly remind us—remind me, at least—in phone calls and letters. The fact remains, though, that we are still competitive.

Notwithstanding our significant exchange rate appreciation from a 77-cent to an 80-cent dollar, if Ontario industries go comparison-shopping for electricity rates with our direct competitors in neighbouring US states they will still find Ontario Hydro roughly 20% to 30% more favourable. Other foreign competitors pay bills that, on average, are 93% higher in England, 58% higher in Japan, and 36% higher in France.

I intend to have Hydro remain competitive as well. I also intend that cost increases will not be routinely passed on as higher rates to customers as if there were no alternatives—and there are alternatives. One is improved productivity, and another is cost control. By cost control I do not mean simply putting a lid on costs, but making a concerted attack on cost structures and embedded practices. We must question the validity of costs, not simply include them year after year and automatically escalate them.

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One major cost-cutting measure last year was the cancellation of our expensive uranium contracts with Rio Algom and Denison in Elliot Lake. For the last 10 years the premium Hydro has paid for uranium from the Elliot Lake mines amounted to \$1 billion. Ending those supply contracts by 1996 will save ratepayers \$1.5 billion on uranium for our nuclear generating stations. After the assistance package of \$250 million to help the community adjust to the mining phase-out, Ontario ratepayers will be saving over \$1.2 billion in the next 10 years. That is the equivalent of a 1.5% to 2% reduction on annual Hydro rates. I believe those are the facts that should be kept in mind when deliberating the merits of the Elliot Lake package. In the end, our customers are going to be better off.

The purchase of the Smoky Falls generating station near Kapuskasing is another good example of good business. That station is the key to our plans to expand our existing three stations on the Mattagami River: Harmon, Kipling and Little Long. We already had an agreement to purchase the plant from Spruce Falls Power and Paper Co, and therefore we are only advancing the timing of the purchase. If we—Ontario Hydro—fail to obtain environmental approvals to redevelop that dam and three others, the provincial government will cover our commitment. In other words, power consumers will not be on the hook. So a good business decision also helped in the restructuring of Spruce Falls Power and Paper Co. It was an excellent

example of what can happen when business, government, a public utility and unions work together. Incidentally, neither the Elliot Lake nor the Kapuskasing deal had any significant impact on this year's rate increase.

Reliability of our service, particularly for our industrial customers, is just as important as cost. Ontario Hydro has a worldwide reputation for dependability and reliability. In fact, in a recent study the North American Electric Reliability Council rated the reliability of Ontario Hydro's system as number one in Canada and number 11 out of 152 North American utilities.

To guarantee that our customers can continue to depend on the reliability of our system, Ontario Hydro has now embarked on the largest rehabilitation project in Hydro's history. We are going to spend \$3.6 billion on our transmission system alone by 1996. We are adding three new high-capacity lines in eastern Ontario, reinforcing transmission facilities in our biggest load centre, Metropolitan Toronto, and upgrading older lines between Burlington and London.

Our nuclear upgrading program is just as big. We have approved close to \$4 billion for rehabilitation and retubing. Two reactors at the Bruce A station and one at Pickering A station will be retubed, and there will be a full station rehabilitation at Bruce A. Rehabilitation will continue at the Lakeview and Lambton coal stations at a cost of over \$1.6 billion, and a substantial investment in the electricity system of Ontario remains in the demand-supply plan update.

About \$7 billion and 50,000 person-years of employment are associated with the building of the transmission line for the 1,000-megawatt Manitoba purchase and various hydraulic projects during the 1990s. The Sir Adam Beck 3 at Niagara Falls will have a capacity of 1,000 megawatts. The Mattagami and other northern projects will provide 750 megawatts of power.

There will also be substantial investments as a result of our decision to rehabilitate our coal-fired stations instead of retiring them. These investments will ensure a reliable, financially sound and environmentally sensitive electricity system in the future.

However, even if price and reliability are reasonable, our customers expect something different from Hydro than they did 10 or even five years ago. Our whole world has changed irrevocably, and Ontario with it. Hydro, at its best, is a mirror image of that changing society. We too are changing from a production supply company to a service company providing energy and energy services. We must not only ensure Ontario is supplied with electricity; we must encourage Ontarians to use it efficiently, or in some cases not to use it at all.

There are traditional means of ensuring new supply: Build more generating stations. But there is an even more significant source of supply and that is demand management or energy conservation, and it has dramatically fewer or nil environmental effects. Our energy efficiency or conservation programs are all targeted to be less than our avoided cost, so in the long run Hydro's costs and average customer bills will be lower than if we had to supply those megawatts with new generating stations.

Our updated demand management target is to reach 5,200 megawatts by the year 2000. That is 5,200 megawatts of supply we do not have to build. To obtain that objective, we are investing \$6 billion in energy efficiency and conservation, much of it in programs to help Ontario industries cut energy costs and become more competitive. Furthermore, these programs could create an estimated 50,000 person-years of employment.

For example, we have recently embarked on a demand management program with Canadian Pacific Forest Products Ltd that is expected to save its Thunder Bay mill about \$7 million a year. It is also power we do not have to produce. The company saves and becomes more competitive. Hydro saves by deferring the need for new supply, and that means savings to all our customers. In other words, everyone wins.

Ontario Hydro has a wide variety of programs and incentives in place to encourage all our customers—industrial, commercial and residential—to use energy efficiently. Darlington will cost ratepayers more than double that \$6 billion and produce only two-thirds as much electricity. So demand management is a good deal for the environment and it is a sound business deal for Hydro's customers.

The idea of paying people to use less of our product has been a little tough for some people in the electricity business to accept, but actually paying people to switch to what they see as the competition really makes some of the traditionalists unhappy. Perhaps this explains the depth of feeling you have encountered about the amendment that would enable Ontario Hydro to actively encourage and, in some cases, offer incentives for residential or industrial customers to switch fuel sources.

Let me spell out Ontario Hydro's position clearly. We are in favour of fuel substitution as a mechanism to promote energy efficiency in Ontario. I am not saying something radically new for Hydro. My predecessor, Robert Franklin, spoke of the role of natural gas as an example of an alternative fuel in a speech to the Ontario Natural Gas Association, and I quote: "Natural gas plays a large part in Hydro's long-term planning precisely because we believe our customers stand to benefit from its expanded use....What we both have to do is concentrate on those areas in which we can do the most to satisfy the customer....Minding our business means cooperating and competing to give the customer the service that best meets his or her particular needs....we bit the bullet and admitted that...yes, there are some things gas can do as well as or maybe even better."

So it should not be surprising we still are counting on fuel substitution to help reach those 5,200 megawatts of energy savings in the 1990s. It is a case of using incentives where necessary, but not necessarily using incentives.

The evidence you have heard from municipal utilities has been straightforward. People with electric water heaters are already switching over to natural gas in those areas where it is available. It is simple economics for the home owner. The cost is lower and the payback period brief. For us, that should be enough of an incentive for people to switch.

This will continue with or without Ontario Hydro. But not everyone is on a natural gas system. Ontario Hydro

alone has 900,000 rural customers, many of whom do not and will not have access to natural gas. There are many other energy management programs available to those customers.

Not every program is available or suitable to each customer's needs. Fuel substitution provides one more tool in the campaign to make Ontario energy efficient. We will not implement it at the undue expense of any particular segment.

We expect municipal utilities are going to lose their water heater customers as a matter of course. Space heating is a different matter. There are large gains to be made in this area, but any program to encourage fuel substitution on space heating will be developed in close consultation with the municipal utilities.

The people of Ontario want their energy resources used more efficiently and they want to make their individual contributions. The evidence is there. Already conservation programs have saved about 600 megawatts of power, more than the power produced by a Pickering nuclear reactor and enough power to meet the needs of Etobicoke, at an immeasurably smaller cost to the environment.

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Furthermore, this is not a bridge or a quick fix until the next supply stations can be built. In Ontario, demand management through energy efficiency and conservation is the primary alternative to any new supply.

During these hearings, some ghosts from the past have reappeared. I am thinking particularly of the Live Better Electrically campaign of the 1960s and the off-oil campaign that was the offspring of the 1982-83 recession. Again, to quote from Mr Franklin's 1990 speech: "When I came to Hydro we had completed a campaign to persuade customers to convert to electric home heat. We were in the midst of another one to try to win customers over to electric hot water heat. I stopped that campaign."

The people of Ontario have long and accurate memories. Those campaigns were part of the historical cycle of Ontario Hydro. When demand was up, we sold conservation. When demand was down, we sold plenum heaters. That was the quick fix. Everyone did it.

Personally, I would like to assign those particular campaigns to where they belong: the historical dustbin. Everything we are working for in planning for the future is to avoid those peaks and valleys of power supply and demand. Energy management, non-utility generation, load shifting and time-of-use rates are all geared to eliminating that pattern.

Hydro is operating in a different social and economic era now and I believe we have learned from the past. We have also learned that it makes good business sense for Hydro to pursue alternative energy sources. Finding alternative, cost-effective, environmentally benign fuel sources is another important utility activity that cannot be ignored or underestimated. It is another critical component of the flexibility we are trying to achieve. Like all major utilities in North America, Europe and Japan, we are accelerating the search for these alternative energy sources.

Some of the independent producers selling electricity to us are generating it from wood waste and methane gas

from garbage. Ontario Hydro's alternative energy research includes the investigation of fusion technology, the development of wind and solar energy applications in Ontario and the testing of different types of fuel cells.

We are watching with particular interest the practical test of fuel cells in buildings in Japan, Europe and the United States. In addition to environmental benefits, buildings generating their own electricity from fuel cells could help ease Ontario Hydro's strained transmission and distribution capacity.

Some of these developments are a long way off, but these are the kinds of considerations we have to keep in mind when trying to change the nature of our business into one that truly provides what I believe our owners and shareholders, the people of Ontario, want from us today and tomorrow. Today, we can see, if we look carefully enough, many of the changes that will determine what we will be tomorrow. We will be more environmentally conscious and more service-oriented. We will be obtaining most of our new supply from more efficient use, from switching to other fuels, from non-utility generators, from smaller stations, and from rehabilitated stations. Bill 118 will provide needed assistance in achieving that goal.

Thank you very much for your attention, and my colleagues and I would be more than pleased to answer any of your questions.

**The Vice-Chair:** Thank you, Mr Eliesen. Before we get into the questions, I would be somewhat remiss if I did not comment on the juice. It has been a long-standing practice of our normal Chair to comment on the Canadian or non-Canadian products that sit over in the corner, and those products as well as the tea and coffee are there for everyone's pleasure. So whenever anyone feels like a coffee, just feel free.

We will start the questioning off with Mr McGuinty and your people. You have half an hour.

**Mr McGuinty:** Are we going to proceed through the natural rotation, a half hour each for questions?

**The Vice-Chair:** Yes.

**Mr McGuinty:** Welcome, Mr Eliesen, to the committee.

**Mr Eliesen:** Thank you.

**Mr McGuinty:** You have, in speaking today, made reference to Elliot Lake, and that has been the subject of some discussion during the course of our committee travels. The government members have and you today have referred to what the government did at Elliot Lake as somehow providing us with some kind of savings.

It was my understanding, and you can correct me if I am wrong in this regard, that the contract Hydro entered into in order to purchase the uranium contained a provision, an option, that had to be exercised prior to the end of 1991. That provision enabled Hydro to get out of the contract completely without cost or penalty in 1993.

I am unclear as to how paying \$250 million to help the good people of Elliot Lake constitutes a savings when there was no obligation, as such, found within the contract to do so. Also, why in extending the contract to purchase uranium until 1996—and I understand we are purchasing the uranium there, although at a reduced rate than it was

provided for in the original contract, though still higher than the price for which we could obtain it elsewhere.

Does that constitute a real saving? I thought we could get out scot-free.

**Mr Eliesen:** There had been opportunities in the past on Ontario Hydro's contracts for sourcing uranium from Elliot Lake which could have been amended, could have been adjusted. The premiums had been in existence for a long period of time. People were aware for quite a number of years, all during the 1980s, of the dramatic changes that had taken place in the uranium prices, and there were opportunities for Ontario Hydro to amend those contracts. They were not exercised at those particular times and the ratepayers lost accordingly during those years. The decision taken this time was to exercise the option, as you quite rightly put it, to avoid continuing to pay those premiums in the future as they have been paid in the past. So in our way of looking at it, and given the historical record, it does reflect a saving of the amounts I indicated in my speech.

Furthermore, Ontario Hydro does not operate as a simple private sector company. We have a responsibility, I believe, under the power-at-cost principle to ensure that the communities or the areas which are significantly impacted as a result of our decisions over many years are ameliorated. If the decision was taken to cancel those contracts, we have a responsibility to share a limited part of those savings with the communities affected and still ensure that there were considerable savings in the future. To me that reflects not only a good business decision but also means that Hydro would continue fulfilling its responsibilities to the communities being impacted.

**Mr McGuinty:** From a strictly legalistic perspective, there was no obligation on Hydro to pay \$250 million to the people of Elliot Lake and there was no obligation on Hydro to continue purchasing uranium beyond 1993. Is that correct?

**Mr Eliesen:** There was no legal specific factor which would allow Ontario Hydro to continue those contracts if it chose not to do so, similar to, as I mentioned earlier, during a previous era when those contracts could have been adjusted and they were not.

**Mr McGuinty:** What I am taking issue with, as I am sure you could understand, is the use of the term "savings." That is, to my mind, entering into the realm of the political. We are putting a spin on something that happened here. If I was to enter into a contract to lease a car and I was able to get out of that contract at a certain point in time and, rather than exercise that option, I decided to continue on for some period of time, I could, I guess, say I am saving money in a sense, but not in any realistic sense. I am saving money because I could have gone on even further beyond that point, but realistically and responsibly I do not see how we can call this a saving. There is an issue here as to how the people of Elliot Lake should have been helped and who should have helped them. In order to be responsible to the ratepayers of Ontario Hydro, I think we should not categorize this as a saving.

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**Mr Eliesen:** I guess I differ from you in your interpretation, Mr McGuinty. In the standard that has operated in the past, had Ontario Hydro in fact done what you have put forward, then I think it should have amended those contracts during the 1980s. It did not. It certainly did not do it to the benefit of the ratepayer. When Ontario Hydro makes a very explicit decision to cancel those contracts when it has the opportunity where it could have continued for another 10 years in a similar way to a previous period, I regard that as a saving.

Furthermore, and I am attempting to answer your question as to what I believe to be Ontario Hydro's responsibility to the community, if in doing that we share some of the savings with the local community being impacted, I believe that is fulfilling Ontario Hydro's mandate and responsibility under the Power Corporation Act. I can dig up additional examples from the past where in strictly legal matters Ontario Hydro did not have to do a, b, c or whatever. The point is that it did because there was a broader socioeconomic responsibility attached to the public utility.

**Mr McGuinty:** I want to pursue Elliot Lake in a different context, because I think it contains some symbolism which should not be lost upon the members of this committee. First of all, you tell us you believe in the principle of power at cost and it is your intention to ensure that Hydro continues to operate with that in mind. You are telling me, I gather, that the \$250 million and the manner in which it was disbursed in connection with Elliot Lake fell quite legitimately within Hydro's mandate to provide power at cost. Is that correct?

**Mr Eliesen:** Yes, I have answered in the affirmative.

**Mr McGuinty:** We used some of that money—I think it was \$30 million; I do not have the figure here at my fingertips—to pay off some municipal debts, and we used some other moneys for some short-term job creation programs. As a ratepayer, I am wondering how that falls within Hydro's obligation to provide me with power, especially power at cost.

**Mr Eliesen:** Let me answer the part of your question on the definition of power at cost first. I believe there was a whole variety of questions asked of Ontario Hydro by Mr Jordan which we made available to all members of the committee. One of those questions was the definition of power at cost. You will see in the answer being provided that the definition of power at cost is not black and white. It has been interpreted broadly over the years. It includes a whole variety of components, and then it is allocated in accordance with what was included in the appendix provided to the answer. So it is not a case that there is a finite, black and white answer to what power at cost is. Power at cost, quite frankly, has been interpreted quite broadly over many years at Ontario Hydro.

With regard to Elliot Lake, I simply repeat what I indicated earlier. A decision was made by the board to cancel contracts which would have continued for another 10 years. To share some of those savings related to those contracts fell within our mandate of power at cost. As a result of our decision, as opposed to allowing those con-

tracts to continue for another 10 years, which would have been detrimental to the ratepayer, the overall business decision means that the ratepayer gets a reduction of 1.5% to 2% each year. Clearly we would interpret that within the power-at-cost mandate.

**Mr McGuinty:** I am choosing to interpret what you are telling me, Mr Eliesen, seeing as there is a fairly subjective interpretation being applied to the principle of power at cost. That does not lend me much comfort and I do not think it lends comfort to ratepayers, because what you are saying is that Hydro's funds may be used in a manner which whoever happens to be in charge at the time considers to fall within the operative of power at cost.

Along those lines, why was it that the order in council, which directed Ontario Hydro to spend the \$250 million in the manner in which it was directed to do in connection with Elliot Lake, contained a provision which absolved the directors of liability when they went along with this? What I am getting at here, Mr Eliesen, is that if the government is doing something with Hydro that I as a ratepayer am concerned about, at least I am thinking in my mind: "Thank God we have the board in place. The board will stop them and look out for my interests." But they did not stop them here, and furthermore there is a provision in the order in council which says they were absolved from liability. Why would they request that kind of provision?

**Mr Eliesen:** There are two parts to your question, Mr McGuinty. Let me answer the part on power at cost first.

Again I would insist that as a result of our business decision, if ratepayers will pay lower rates as a result of that decision, then that should be adequate evidence for them that we are operating within power at cost. It is not a case of whether I am or my board of directors is making wildly subjective judgements as to what should or should not be included in that power-at-cost definition.

We are asked to be accountable and we are accountable, not only to legislative committees but also to the regulatory hearings on an annual basis. We have to justify why we have made those business decisions. We are called to account and we do account for those decisions and why they should be included in the power-at-cost definition. In this case, again, the ratepayer is better off as a result of the decision made by Ontario Hydro.

With regard to the second part of your question, why there were certain aspects in an order in council, I am afraid I am not the person to ask. I did not draft that order in council; it was the government that drafted it. The government had discussions. Obviously I was aware, because I was wearing a different hat, that of Deputy Minister of Energy, at the time, that there was a request from Ontario Hydro to include the provision you referred to. I think you are far better off asking government for the answer to that as opposed to myself.

**Mr McGuinty:** I think the logical inference here, Mr Eliesen, is that the board of directors felt in its heart of hearts that this was not the right thing for Hydro's ratepayers to do at Elliot Lake. For that reason they felt they were going to suffer from what we call exposure, in terms of

liability, and required that the provision be entered into the order in council.

Let me talk a little bit about the Update. Again, back to the board: It is my understanding that the full document is some 325 pages long. Is that correct? I have not seen it.

**Mr Eliesen:** I am sorry; you will have to be more specific. The Update we have tabled before the Environmental Assessment Board?

**Mr McGuinty:** Yes.

**Mr Eliesen:** It includes quite a number of pages. It was not 300 pages but it was an extensive document.

**Mr McGuinty:** A very extensive document.

**Mr Eliesen:** Forty pages, I am informed, if you are referring to the Update. The Update we deposited with the Environmental Assessment Board is shorter.

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**The Vice-Chair:** Excuse me for a moment. We do have a problem with Hansard. If people wish to participate, would they come forward to the mikes. If you use the mikes, I gather it is okay at the ends of the tables. If you have support staff, they can use those places that are open where there are mikes. It would make it much simpler for us all and for Hansard.

I would remind Mr McGuinty that his colleague has a couple of questions too, if he would leave enough time at the end.

**Mr McGuinty:** How am I doing on time there, Mr Chair?

**The Vice-Chair:** You are about 15 minutes into your time, just a bit over.

**Mr McGuinty:** Mr Eliesen, just so I am clear on this, I have in my hand here a brochure entitled Update 1992: Ontario Hydro's Plan To Serve Customers' Electricity Needs: Providing the Balance of Power. Is that the only document that is around? I have a briefer version, a smaller brochure, as well.

**Mr Eliesen:** There is a lengthier document which was tabled before the Environmental Assessment Board. It is the 40-page document that has been referred to.

**Mr McGuinty:** It is my understanding that some four, five, six years went into the preparation of the original demand-supply plan.

**Mr Eliesen:** That is my understanding.

**Mr McGuinty:** The original demand-supply plan laid out proposals in order to meet Ontario's electricity needs for a 25-year period—very extensive, very detailed, very thorough and very considered, but very methodical. I want to come along to the Update now. How much time went into its preparation?

**Mr Eliesen:** The Update was a simple mechanical operation reflecting the decisions that were made on goals and objectives that had been announced by Ontario Hydro during the summer and into the fall as we were proceeding through the Environmental Assessment Board. For example, the goal of demand management, the target which was increased from 3,700 megawatts to 5,200 megawatts by the year 2000, took place at the beginning of the summer.

Then the enhanced goal for non-utility generation, which went from roughly 2,100 to 3,100 megawatts by the year 2000, was done in August. As we proceeded to go through the various panels—there are 10 panels associated with environmental assessment—we were updating. That was consistent with what we had to do: update our goals and objectives.

When it came time to start pulling all these threads together to also take into account the update that we had provided on load forecast, which is the degree to which the demand for electricity was changing both in the short term and the long term, it was necessary for us to provide that Update.

The preparation of the Update was really a two- to three-month exercise. The results simply reflected that instead of major a new supply to come on in the year 2002, there was roughly a seven-year deferment to the year 2009. That is really what the Update is all about, given the new goals and objectives. The same items, the same considerations, the same kind of flexibility that had been articulated within the original DSP plan were all reconfirmed with the Update.

**Mr McGuinty:** Would this document have been produced in essentially the same form, notwithstanding which party happened to win the election of 1990?

**Mr Eliesen:** I believe so. It was taking place within Ontario Hydro regardless of which party formed the government. There was a major economic downturn. Our level of demand today is less than it was in 1989. No one had forecast the severity of the reduction. Instead of going up at the usual 3% to 4% to 5% per year, we were going down; we were not growing at all. That major change would have taken place regardless.

**Mr McGuinty:** I want to speak to you as a concerned ratepayer again, Mr Eliesen. You referred to some of this when you addressed the committee at the outset here today. At one time Hydro told me as a ratepayer that the best thing I could do in terms of electricity was to use it; that I should live better electrically. Now they are telling me that we should conserve. They told me at one point that Darlington would cost some \$2.5 billion. I think it is now close to \$14 billion. I recognize that there have been interest costs and incidents of government tinkering in the interim.

It is my understanding that Hydro was quite a bit off in the projections made during the last recession in the early 1980s as well. I have a copy of a transcript from The 5th Estate which was aired December 17, 1991, which I am sure you are familiar with. At one point Victor Malarek asks Mr Niitenberg, Hydro's vice-president of operations, "Well, how did you guys get the projection so wrong?" This is talking about the 1970 forecasts. Arvo Niitenberg replies: "How did we get it wrong? We had the best estimate that we could get in terms of what loads were going. The whole economic forecasting for that particular time period was in error."

I have an article here from the Financial Times dated January 27, which says: "Rothman, the utility's own chief number cruncher, doubts that. He says, 'Officially,

Hydro insists that there will be no doubling of prices in this decade.”

As a ratepayer I wonder if this time I can rely on what Hydro is doing. A lot of good work went into the preparation of the 25-year DSP. There has now been a dramatic turnabout. Some two years subsequent to its submission to the Environmental Assessment Board, we are told that we are going to defer major generation. I guess we needed the first one on stream by 2002; now we are back to 2014. We are going to spend \$6 billion between now and the year 2000, I believe, for energy conservation programs. As a ratepayer, why should I believe this time that we are on the right track, that we are not making another mistake and that we have not made sufficient provision in the event we err?

**Mr Eliesen:** I think we are on the right track and I think we should be judged by our actions. We want to avoid the kinds of examples you have referred to: major exposure and financial risk as a result of getting committed earlier in the game to the large generating stations you referred to. We are experiencing, and the ratepayers are experiencing, those rate shocks today. Darlington nuclear station, which was built as power at cost, was built on what I would describe as a ping-pong construction schedule—stop, start, stop, start. Whether it is nuclear or fossil or hydraulic does not matter; that is not the way to build any station.

I think Hydro is learning from the experiences. We are also learning that we are operating in a new environment. It is not only Ontario Hydro. You do not have to look very far, whether it is at Hydro-Québec or any other utility in North America. The kinds of things that society or governments allowed their utilities, whether they were public or private, to do then is simply not acceptable today. We are trying to be much more cost-conscious, to not apply ourselves on major commitments from which we cannot get out because they are sunk in investments. I think the current ratepayer should judge us by the actions we are taking in order to reduce those financial exposures, in order to reduce those financial risks.

Let me just make one brief observation of your description of the Update as dramatic. In my judgement it is not dramatic. It reflects a reality of a seven-year—not more—deferment of major new supply. I have outlined in my speech all the items for rehabilitation, for new projects which were part of the original plan and part of the update as well. Whether it is the transmission line as a result of the Manitoba purchase, whether Mattagami rebuilds, whether it is Beck 3, all those projects we are still going ahead with. We are going ahead with the rehabilitations that were described in the original update. In my judgement this is not a dramatic change; it is a recognition of the fact that we are living in a new era where perhaps the kind of need related to the downturn we are experiencing is less severe. Therefore we should give ourselves much more security, before we commit for major kinds of base-load generation, that we do not get into it and provide future rate shocks to the people of this province.

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**Mr Cleary:** In our discussions of Bill 118 in recent weeks one thing has made itself clear, and that is that the government and Hydro officials have suggested there has been wide consultation on the amendments to the legislation. In that vein, I would like to ask you whether you would extend the same degree of openness to an Ontario Hydro project study already under way for additional generation to be installed at the Robert Saunders power generating station in Cornwall?

I have with me today a copy of a proposal which outlines the logic of a potential Ontario Hydro public relations opportunity alongside the construction of any new generator. The idea would be a park tourist attraction to be developed adjacent to the dike closure structure of the Robert Saunders dam, and that is right in the St Lawrence Parks Commission area, and to be considered as part of the whole view of Ontario Hydro service in that area. I would like to ask you whether you and your staff would consider allowing local service clubs to participate in any discussion for modifications that may be made in that location and that generating station with respect to the proposal for a park which would allow Ontario Hydro to make a favourable impression on the tourists in eastern Ontario.

**Mr Eliesen:** I am aware of the fact that we are currently rehabilitating the particular station you refer to. We are certainly open to listening to any group, service clubs or what not, which has specific representations to make, and we certainly will see whether we can accommodate what it is putting forward. But I personally, at least, am not aware of receiving such representations. If you pass over to me what the concerns are I will be more than pleased to look into them.

**Mr Cleary:** I have a copy of it right here and I told them that I would try to see you today to have their input into that project. With that I will pass, because I know my colleagues have a few questions.

**Mr Brown:** I wish we had a little more time. I too would like to welcome Mr Eliesen to the committee. I have been puzzled totally by the fact that we have an update to the DSPS—it is a 25-year plan. I spent one very hot summer reviewing the plan, remembering that there were brownouts during the time we were considering it.

First, it appears to me, having looked at this, that the update is within the range of the first plan. The first plan had very broad ranges of what would happen, a kind of staged: “If this happens, this is what we do. If it doesn’t happen, this is what we do, etc,” as you go through. I have not detected much change, other than to note that I think your policy can be clearly outlined as high-cost, because I have a lot of evidence showing that rates are going to increase dramatically. I would suggest to you that even within your own speech you allude to that: when your demand drops, the price has to go up to cover that cost—that is pretty clear; that is the way it is in all businesses—and that you are committed to a fossil fuel future, you are committed to CO<sub>2</sub> emissions, you are committed to NO<sub>x</sub>. That is what you are committed to. That puzzles me as somebody who went through the former plan, which did at

least mention the environment when the speeches were given.

**Mr Eliesen:** Mr Brown, the only thing I can say is, I reject everything you have just said.

**Mr Brown:** I knew you would.

**Mr Eliesen:** It is not the update that I am familiar with and it bears no relationship to what we put forward before the Environmental Assessment Board. In fact, it is just the opposite of what you have indicated. The road we are trying to go down is to avoid the kind of rate shocks we are experiencing today, not as a result of decisions today but decisions taken 10, 12, 13 years ago. People talk about power at cost. Darlington nuclear station was built at power at cost. Ping-pong construction was—sorry?

**Mr Brown:** Can I ask you about that, then?

**The Vice-Chair:** I am sorry, Mr Brown, but your time is up. You may finish what you are saying.

**Mr Eliesen:** Just simply that the update emphasizes the low-cost alternative and that is with demand management being the preferred route for anyone concerned for the environmental.

**Mr Brown:** But that was in the plan before.

**Mr Eliesen:** It was, but not to that concern. The 3,700 megawatts becomes 5,200 megawatts, so there is a larger component of demand management in the update than there was in the original plan.

**The Vice-Chair:** We will now move on to the Conservative caucus and start with Mr Jordan. I will let you know when you are about halfway through your half-hour so that you can make a decision.

**Mr Jordan:** Thank you, Mr Eliesen, for attending, along with your vice-presidents and senior executive people. Certainly we appreciate your taking the time to come before this committee. As you know, we have travelled across the province. The real subject here today is Bill 118 and that is our concern, basically. First of all, my question to you is, why does the government want Bill 118 in order to take control away from Ontario Hydro's chairman and board?

**Mr Eliesen:** I believe that is a more appropriate question to raise with the government. I have always believed that the role and accountability between the government and the utility is something for the government to determine. We do not determine the rules of the game. The only reference with regard to Bill 118 which I can comment on, which I have commented on in my opening remarks, is really on fuel substitution. I guess the whole area of accountability and responsibility and policy guidelines etc is something that should be directed to the government itself.

**Mr Jordan:** That might be a fair assessment from your perspective at the present time, but I am sure that when the bill was being written and being presented in June 1991 you were well aware of the contents and you were well aware of the effects that it would have. Increasing the board members in numbers—there was no real purpose in doing that that we can assess. As a matter of fact, we feel that a smaller number on the board would be a more efficient management group.

I am concerned that you have a contract yourself for five years, I understand, and that your board members are not going to be held accountable for their actions. So in my opinion, here sits the Minister of Energy, who is going to take it in the neck if this conservation program, which Mr Franklin quoted in the estimates hearings of a year ago, is very difficult to measure. Out of the discussion at that time came the fact that every three months we would get a report from the Minister of Energy as to the megawatts saved. I do not want to put too much in one question here. I want to concentrate on Bill 118, if you do not mind, and the powers it gives the government over Ontario Hydro.

**Mr Eliesen:** First, I want to state in the most unequivocal way I can that when the Premier made me aware of his intentions to nominate me as the chairman of Ontario Hydro, I quickly and immediately absolved myself of any perceived or real conflict of interest. I am aware of the fact that there have been allegations made that I was involved. Let me assure you and members of the committee that when I was informed by the Premier of this, any matters under my responsibility dealing with Ontario Hydro was quickly referred to the assistant deputy minister. I had no involvement in the preparation of any of the policy material that went to the cabinet, I had no involvement whatsoever in the preparation of Bill 118, and I did so deliberately to avoid the kind of suggestion that people would make: that somehow I would be in a conflict of interest.

Since 1972 I have been a deputy minister for five different governments in three different provinces under eight or nine ministers of the crown. As a professional public servant I know very well the importance of avoiding the kind of conflict you refer to. So I had no involvement at all in the writing or the approval or anything whatsoever of Bill 118.

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**Mr Jordan:** I guess I do not want to dwell on your personal involvement, Mr Eliesen.

**Mr Eliesen:** Well, you asked the question, Mr Jordan, and so I am responding.

**Mr Jordan:** I asked the question as to why you felt it was necessary at that time to have government control. It is basically what Bill 118 does. It overrides the board of Ontario Hydro.

**Mr Eliesen:** My only answer is that that is a question you should ask of the government of the day. Any government, in my judgement, is the people penultimately responsible for the crown utility and they have to account for their actions. The minister, I am sure, has given the reasons and the government has given the reasons why they are moving in this way.

**Mr Jordan:** I think I would like you to try and picture it as the chairman and chief executive officer with a board of directors running a large corporation. Here you are getting policy directives—not policy statements; policy directives—coming directly from the Minister of Energy to you and your board which state that they must be implemented immediately. They are going to bypass the Legislature. I, as a member for my riding, because I do not happen to be a member of the government, am not going to have a

chance of any input into those directives. It is going to be a strict, dictatorial directive from the Minister of Energy to the chairman and his board, and the board has been told: "Carry them out immediately. You will not be accountable."

You think about a large corporation. Give me a parallel of one that is run that way.

**Mr Eliesen:** As I indicated in my earlier answer, really that is a question you should ask of the government. The question of directive power is one that has been included in other jurisdictions. The extent of its utilization is limited. I have always, as a public servant, believed that it is the government which has to set up the long-term policy guidelines for Ontario Hydro to operate under, because it is penultimately responsible. I am not elected and neither are any of the members of my board or senior management. So our shareholders are the people of the province, reflected in the government of the day. We have to respond, quite rightly in my view, to those policy directives.

If we disagree to such a degree, then we have a choice. We can walk away from our responsibility. But my understanding of Bill 118 is that the power is there to be exercised for long-term policy direction and that the commercial, day-to-day operation continues with Ontario Hydro.

**Mr Jordan:** Where is the planning if you are only going to give day-to-day operation to the board and the president? My God, all the long-range planning—I do not know who is going to add to the Minister of Energy the capabilities to provide this long-range planning, this expertise and research, that you have within your corporation. I just cannot see that you are comfortable receiving these directives from the Minister of Energy telling you how to run your corporation.

**Mr Eliesen:** If I receive directives which I feel are improper or imprudent, then I have a choice and so do members of the board of directors or, for that matter, senior management. If our professional integrity is being called into question on what we believe, we have a choice. But, again, to go back to the basis of your question, we are not the elected people. We are not accountable in the elected sense for Ontario Hydro. Our shareholders are through governments, and I just cannot conceive of a situation where Ontario Hydro goes off on its own road without any relationship to the government of the day.

**Mr Jordan:** I think that is where we are differing. In all due respect, Mr Eliesen, you are saying that your responsibility is to be accountable to the government of the day. I am saying that your responsibility and that of your board members is to be accountable to the ratepayers of Ontario Hydro, because we cannot flip-flop our direction with a corporation of this size every time the government changes. We have got to get our sights on something and planning and stay there to have any stability. What do you suggest I tell major power users to create in their minds some certainty of cost, some certainty of supply? At the present time they are just throwing up their hands. They say, "We don't know where we're at."

**Mr Eliesen:** With respect, we want people to judge us by our actions. In the actions we are taking, it is just the

opposite. We are trying to control the escalating costs that have taken place over many years. We are reviewing all the cost elements which are going into the rate base, as I made reference to in my prepared text: the kind of contracts, whether they are coal or nuclear, the kinds of administrative costs. I would want the members of the Association of Major Power Consumers of Ontario and the industrial firms to look at our actions and what we are doing to control costs. I would want to be judged on that basis, because that is the only basis upon which the ratepayer will have that comfort level for the future.

**Mr Jordan:** I am glad you raised that point, Mr Eliesen, because we have been pressured, if I might use that word, or seriously questioned as to the operation, maintenance and administration costs at Ontario Hydro relative to other corporations of a similar makeup. Do you have any plans to bring the OM&A costs into line, or do you see them as being out of line?

**Mr Eliesen:** Right now we are going through a major exercise within the corporation of controlling our administrative and operating costs, and we are having some success. I hope our success will be reflected in the rate increases, which hopefully will be lower than anticipated in the future. We hope we would be judged on those actions.

**Mr Jordan:** How do you plan to eliminate costs?

**Mr Eliesen:** We are going through line by line. We have just completed an exercise within the corporation of going through each branch, through productivity improvement measures and measures related to quality management. There is a new era of labour-management relations with regard to society and CUPE 1000. We are participating in a joint matter, not in an adversarial way, which had been a characteristic of the past. So there are very positive things taking place. Obviously you cannot do it in one single day, but the movement is there. It is very positive to costs and I hope it will be reflected in a lower rate than would be necessary when we petition the OEB in April.

**Mr Jordan:** What percentage of the Hydro rate increase reflects the OM&A budget?

**Mr Eliesen:** I believe you are talking now of 1992.

**Mr Jordan:** Is it 3% or 4% of your present rate increase?

**Dr Kupcis:** No, less than 1%.

**Mr Jordan:** Due to OM&A?

**Dr Kupcis:** Less than 1%.

**Mr Eliesen:** Do you want to provide that answer?

**Dr Kupcis:** Sorry. As has been indicated before, Mr Jordan, it is Darlington coming into the rate base that is a large driver for the rate increase.

**Mr Jordan:** There have been two figures on that. I just heard 6% today and 3.5%—

**Dr Kupcis:** No, that is coming into the rate base through depreciation and interest costs being charged to the rates. That is not an OM&A cost.

**Mr Jordan:** No. That is separate.

**Dr Kupcis:** You were asking how much of the OM&A increases has contributed to that increase of 11.8% in the last year. It is in the order of 1%.

**Mr Jordan:** What is your objective for it? Are you going to reduce it?

**Mr Eliesen:** It is our intent to drive it down as low as possible. We have to do that, consistent with demands being placed upon us in the context of reliability and maintaining the security of the system. But I am indicating to you that in the short period I have been at Ontario Hydro we are having some significant success. We hope that can translate into lower rate increases than would have been anticipated without these measures taking place.

**Mr Jordan:** Also, Mr Eliesen, you have indicated a considerable dollar saving. You just mentioned one in Thunder Bay which is good; it is a \$7-million saving per year to one customer through the incentives provided by your corporation. Of course, looking at it from a business point of view, it is also \$7 million lost in revenue to the corporation.

**Mr Eliesen:** Not to the company. The company being impacted has \$7 million less in costs.

**Mr Jordan:** Let me finish, please. We are saying a kilowatt saved is a kilowatt made, but we seem to be forgetting that it is not. It also includes a kilowatt not sold, relative to your revenue. It is going down, down, down.

It is the same as the Ontario government is beginning to realize. The revenue is not there to implement the Agenda for People. They would like to, but there is no revenue there to do it. You are going to find yourself in the same situation here, with revenue going down, down, down and rates going up, up, up.

**Mr Eliesen:** With respect, it is just the opposite. Our demand management programs, our energy conservation programs, are the lowest possible avoided costs. I will ask Marion Fraser, if you are interested, to give you some of the details of the kinds of programs we have been involved in to reflect those kinds of savings.

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**Ms Fraser:** With respect to industrial programs in particular, many of the large corporations that have been represented by AMPCO have participated very heavily in our programs. In the example you use of CP Forest Products, the \$7 million, essentially what that does is free up a kilowatt that we can sell to somebody else rather than producing it. Particularly if it is on peak, we are saving the fueling costs, the coal, and the impacts in terms of CO<sub>2</sub>, so there are very many benefits. In every case, our demand management programs cost less than the—

**Mr Jordan:** Than the building of a new plant.

**Ms Fraser:** —the avoided cost.

**Mr Jordan:** So that is the saving you try to relate, but I hope we are not getting so concentrated on the conservation and efficiency aspect that we forget completely the revenue aspect and then all of a sudden wake up some morning and say, "Where did all the money go?"

**Ms Fraser:** What we are looking at is reducing the total electricity bill of the province. If we can do that in a

way that is less expensive than building a new plant, I think the province is better off as a whole. That is what we are interested in doing.

**Mr Jordan:** It seems to come to mind that we are looking at existing industry, existing loads, existing equipment that uses electricity. We must be thinking also—I am sure you are, although it is not being portrayed here—of the new uses that are coming on the market for electricity.

**Ms Fraser:** Exactly. There are many more new uses.

**Mr Jordan:** And very substantial ones too.

**Ms Fraser:** Yes. That electricity also is required to be of very high quality, high reliability. Things like power electronics, variable speed drives, all that sort of thing—that industry is very important, and the path we are following will give us a lot more flexibility to deliver that kind of reliability.

**Mr Jordan:** Our concern is that your conservation program at best might meet the existing growth without the new loads coming on. We are not going to stay in this recession.

**Ms Fraser:** Absolutely not. There will be growth. Right now the recession has certainly had a very severe impact in terms of our load for this year.

**Mr Jordan:** Can you separate that, when you say you have saved—was it \$600 million?

**Ms Fraser:** It was 600 megawatts.

**Mr Jordan:** Sorry, 600 megawatts. I am mixing it up with dollars. Can you separate that from the recession?

**Ms Fraser:** Very much so. In fact, in order for us to account for those megawatts—for instance, in commercial and industrial, those are projects that our field staff are actually involved with. In the example with CP Forest Products, there is basically a joint energy management team composed of CP staff and Ontario Hydro staff. Those savings are registered right on the meter.

We have some major projects in downtown Toronto; for instance, the new building that IBM put up at 3600 Steeles Avenue. Because it used thermal cool storage technology to improve the efficiency of its cooling system, it actually reduced its load by 1.8 megawatts from what it would have been when that new building was built. We tracked that with engineering analysis and calculations, and they are actually finding they are getting more than they expected out of it in terms of savings. So with each one of those projects in commercial and industrial, we work very closely with the customer to make those savings happen.

**Mr Jordan:** My concern directly is for the people in the riding that I represent, who have sawmills and so on. The projected rate increase puts them out of business. Between the rate increases and—I know this has nothing to do with Ontario Hydro, but the new building code being enforced as of January disallows any lumber that is not graded being used on farms, so the sawmill operator is out of business, because that was not the type of business he was in. He was in the ungraded lumber and so on. If you take that together with the increases in hydro, he is losing his market and he cannot afford to pay the hydro bills.

**Ms Fraser:** Maybe there are some opportunities to reduce his electricity bill and his energy bill, and we can help him do that.

**Mr Jordan:** These are relatively recent, upgraded sawmills where they went from diesel to electric with the new efficient motors. They are a very good operation that way. I just noticed that Mr Franklin had said, the last time he was interviewed here, "It is only when we have done all of those economic things first that we believe we should turn to the next supply item, which is new generation."

So that thinking is not new, and this is what scares us a bit. If we were not in the recession—Ontario Hydro was doing this without government interference. It was doing this.

I want to come back and close with Bill 118. I say we do not need it. You people are quite capable of running Ontario Hydro. You do not need policy directives from the minister. We just do not need it. I still say that you should be supporting us in asking us to ask the government to withdraw that bill.

**Mr Arnott:** I have just a couple of brief questions. On page 4 of your presentation, Mr Eliesen, you talk about reliability of service and about Ontario Hydro being very reliable: number one in Canada, number 11 in North America. Why are we not number one, and what steps are you taking to make us number one in terms of reliability of supply?

**Mr Eliesen:** Is your question why we are?

**Mr Arnott:** Why are we not number one?

**Mr Eliesen:** Sorry; we are number one in Canada.

**Mr Arnott:** In North America. What steps are we taking?

**Mr Eliesen:** Let me assure you that being number one in Canada and being number 11 of 152 utilities is quite an impressive performance. It is not simply a performance that we recently achieved; this has been consistent through Ontario Hydro's history. But you are right; we should try to be number one of the 152 utilities. That is why in my speech I emphasized specifically the kinds of investments that are taking place in rehabilitation in both the generation and transmission areas to ensure that the high degree of reliability that the Ontario ratepayer has received from Ontario Hydro will continue in the future. Those are the kinds of investments we are making in order to ensure that reliability is enhanced in the future.

**Mr Arnott:** The issue of whether you build new capacity or you regenerate or rehabilitate used capacity—I have raised that question with some knowledgeable people. They tell me it is something like buying a new car versus fixing your old car. At some point you cannot continue to fix the old car; you need to buy a new car. How would you comment on that? Is that an applicable analogy?

**Mr Eliesen:** To some degree, yes. You also learn from others the way they have repaired their cars and the kinds of experience they have had. In this context, the context of fossil-fuel plants, we are learning from the experience of others who have been involved in the business of rehabilitating and extending their usual life. They are finding and

it is being reported that the experience has been quite significant.

Maybe I can ask Al Kupcis to provide some additional information in this area.

**Mr Kupcis:** I think the analogy is useful to get your mind in gear on a personal level around what we are talking about. I might put in the fact that we have a hydraulic plant that is over 80 years old and we keep rehabilitating it. As long as the safety and economics of that rehabilitation still hold, that reinvestment in the infrastructure is still the economic thing to do. So today we do not talk about a lifetime for hydraulic plants, because our experience has shown that we get a long life out of them as long as we look after them.

The fossil plant which we have in our DSP update indicated we will take a life management approach to as opposed to shutting down after 40 years reflects also a utility experience worldwide of the reality that in terms of replacing boilers and piping components there is no need to stop at 40 years. You might not get 100 years out of it, but certainly life-extending for the 20 or 30 years that the industry is now expecting through life management approaches is still by far the lowest long-term economics of continuing your infrastructure. The car analogy is, yes, at some point you do have to get a new car when your chassis and body are eaten away by rust. We think 40 years is not that point right now for fossil.

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**Mr Eliesen:** Mr Arnott, if I could add one supplementary observation, at times, particularly in the current environment, we may not be given an opportunity of buying a new car. The regulatory and environmental as well as the judiciary process is such that we do not have an alternative of going out, or the alternative of buying a new car is so uncertain and so financially risky and the exposure to us as a result of doing that leads us to look more seriously at rehabilitation and life extension.

**Mr Arnott:** If you look a few years down the road and your demand management initiatives, in spite of the significant billions of dollars you are prepared to commit to that part of your policy, are not successful, do not save the numbers of megawatts you hope, then what do we do?

**Mr Eliesen:** We have a whole variety of contingency plans. That to us reflects the benefits of the update. We know we can add additional supply with much greater ease. This includes combustion turbine units, it includes non-utility generation, it includes some of our mothballed plants, for example; so there are a variety of mechanisms whereby we can easily bring in additional capacity on an economic basis.

Our problem right now, given the level of demand, given the additional supply, is that we have had to manage the possibility of perhaps surpluses taking place on our update. No doubt you are familiar with non-utility generation. We have a situation right now where we have expanded the program so considerably that we have to manage the success of the program so it does not come in all at the same time when we do not have a need for it. More specifically, we know there are all these contingency

alternatives available to us if the world changes dramatically and the demand escalates the way it did during the 1980s.

**Mr Arnott:** One of my biggest concerns if I look long term is that if Ontario Hydro does not have the capacity that is required for our economy, Ontario Hydro will be forced to upwardly manipulate the price of hydro so as to effect conservation. I am wondering if you can rule that out categorically, that in your opinion that would never be required.

**Mr Eliesen:** If your question relates to whether we should look at rate increases as a method of enhancing conservation, yes, we rule that out. Electricity is an essential service and we do not believe rate increases should be a method by which we restrict the consumption. We do say, though, at the same time, that there is a whole variety of mechanisms and programs that Marion Fraser is involved in and are being successful.

Let me assure members of the committee, this is not pie in the sky. This is real. When I say 600 megawatts, it is real. It is like a reactor at Pickering. We take a look at the experiences at some of the large utilities in the United States—and these are private utilities, based on rate of return, regulated etc.—and at Pacific Gas and Electric, 75% to 80% of its increased load is going to come from demand management and energy conservation. So we are talking about real things that apply both to the private sector as well as to ourselves.

**The Vice-Chair:** Mr Arnott, you are rapidly running out of time and Mr Jordan wanted to speak. A quick one.

**Mr Arnott:** With a new Minister of Energy now—and I would like to bring us back a bit to the period before the government was sworn in—I believe he speculated in the newspaper that he was going to be Minister of Energy and that one of the programs that might be considered would be free refrigerators so as to reduce the demand on hydro. If the new Minister of Energy is given the directive power which is inherent in Bill 118, what is to stop him from giving free fridges out to every place in Ontario right before an election?

**Mr Eliesen:** My simple answer to you is, that minister and that government will ultimately have to be responsible for the decisions they take.

**Mr Arnott:** So you do not feel you have any responsibility in that respect.

**Mr Eliesen:** Certainly. I have a professional responsibility to tell the minister and to tell the government the pluses or minuses associated with the program, the costs and what it means to the ratepayer. I have a mandate and a responsibility to do that and I certainly would carry that out, but if the minister and the government felt it their prerogative to do so, then they penultimately are the ones who are going to be responsible. I will ensure that our input and our knowledge are both privately and publicly articulated on where we stand on the issue. That is our professional responsibility, but penultimately it is the government of the day that is responsible for those powers.

**The Vice-Chair:** Mr Jordan, very quickly.

**Mr Jordan:** Previously the president has said, "We have said, for the base load, in our opinion, the most economic and environmentally sound decision is to use nuclear power." That is for the base load. "For the intermediate load, we believe we should use coal, properly equipped with scrubbers, and to that extent we can rely on our existing coal stations to handle that once they are so equipped, and we say that if demand continues to grow beyond that, we should use gas turbines for the very few hours a week or day that you need it for peak load, because of the CO<sub>2</sub> emissions."

We are being told here that nuclear is the most benign to the environment of all the base loads they looked at, and we seem to have turned the ship around now. No? You do not think so?

**Mr Eliesen:** I told you before, Mr Jordan, that all technologies in generating electricity have some impact on the environment, whether it is nuclear in the context of waste and health and safety, whether it is hydraulic in the flooding of lands, or whether it is fossil with regard to global warming and NO<sub>x</sub>, SO<sub>x</sub> and what not, so there is no one particular technology. I believe personally that it is society, through responsible governments, that has to make the penultimate choice. What we have been able to do is emphasize demand management, which has a benign—or nearly—effect on the environment, and to push that as a number one priority.

**Mr Jordan:** What do you plan for base load?

**The Vice-Chair:** Thank you, Mr Jordan and Mr Arnott. Mr Huget, you have half an hour, starting now.

**Mr Huget:** Thank you, Mr Eliesen, for taking the time to appear before us today and give us your views.

I think one of the things that has impressed me over the last several weeks of public hearings is the debate about a conservation efficiency strategy and a building-of-supply strategy that seems to have come out of almost two opposing camps, if you will.

I am interested in clearing up something for my own perception. I have heard the figures bandied about during the hearings, but I wonder if you could enlighten me in terms of the cost of building, for example, a megawatt of supply as compared to the cost of conserving a megawatt and what impact that would have on Hydro and ultimately, in the long run, on the consumers of the province.

**Mr Eliesen:** I am going to refer to my colleague here to give a more general answer. The one observation I will make is that demand management or energy conservation is not new in Ontario Hydro. It has been re-emphasized in the whole context of an opportunity now with fuel substitution, and I do not mean natural gas. Fuel substitution involves other possible fuels as well, whether it is wood waste or oil or methane gas or what not, but it does provide an opportunity for us to enhance the demand management programs both directly through Ontario Hydro as well as through the government through a mandated area. It is the cheapest form of generating electricity, but I will ask Dane McCarthy to provide some of the more specific comparisons.

**Mr MacCarthy:** If we look at the cost of new supply, it would vary depending on the particular supply alternative that is chosen. If we are talking about nuclear plants we are talking about \$3,000 to \$4,000 per kilowatt. Typically our demand management programs are substantially less than that, in the order of maybe \$500 to \$600 per kilowatt, in terms of avoided cost. So there is a significant advantage to the demand management initiatives in terms of comparing it with other supply alternatives. When we move down into our fossil plants we are into the \$1,500 to \$2,000 range per kilowatt, and again our demand management would still be significantly less than that.

1530

**Mr Huget:** You mentioned fuel switching briefly just a second ago, and of course in your presentation. If we look at that cost factor, what impact do you see fuel switching having on rates in the province?

**Mr Eliesen:** We would regard fuel switching as simply another opportunity to ensure that the long-term electricity costs are lower than they would be without fuel switching. This approach has been consistent at Ontario Hydro. I mentioned Bob Franklin and his policy, which continues under myself. I will ask Marion Fraser. Perhaps she can go into some detail on where we would see fuel switching providing another program or activity of a whole variety of activities we have evolved on demand management.

**Ms Fraser:** What removal of the prohibition against fuel switching will allow us to do is to really widen the range of tactics we use with customers. This becomes quite critical, particularly dealing with commercial and industrial customers. Most of the discussion, I have noted, that has taken place in these hearings has really dealt with residential space heating, but when we are looking at overall energy management in a commercial building, for example, very often you have to be able to look at the total energy package of a building. That is what the new Association of Heating, Refrigeration and Air Conditioning Engineers performance base standard does; it uses an energy budget as opposed to just looking at electric options versus the gas options, and very often it is a blend of these sorts of options that makes the best sense.

If we had to pursue a path, as we are right now, where we could not look at the substitution of gas for electricity in that kind of situation, you may be getting the second-best kind of solution for the customer overall. You may be leading them to something that is more efficient electrically, but if you looked at their total energy use and perhaps blended in things like load displacement, cogeneration, along with gas absorption chilling and using a heat pump to move the heat from the warm middle parts of the building to the colder perimeter in the winter and things like that, you are really looking at the total balance of the building and that is really where I think the critical points will come in.

I think we basically agree with the municipal utility perspective that with respect to electric water heating, for example, it is just such a good deal for the customer that

he is going to do it anyway. I know I switched mine about three weeks ago.

**Mr Huget:** Just sticking with the efficiency and conservation issue, I hear a great deal about the success of your conservation programs. I wonder if you could elaborate on some of those programs with some specifics in terms of how much energy you have saved and how you have done it. I guess I am interested to know how that is in reality, because you certainly hear a lot about the success of those programs.

**Mr Eliesen:** Just in a general way and then I will pass it over to Marion. I think the degree of success has surprised a lot of people, and a lot of people within Ontario Hydro. We have been at it now for roughly three years, and leadership was provided by Dane MacCarthy on my left here. It exceeded far more than anyone's expectations the kind of megawatts that could be saved, to the degree that now we are over 600 megawatts after roughly a two-and-a-half to three-year period of the various programs. But to give a little bit of definition rather than these large ballpark numbers, Marion can review some of the specific programs and how it relates so people can understand.

**Ms Fraser:** Probably one of the most successful programs we have is Savings by Design, which is a program that applies to commercial and industrial heating, ventilation and air-conditioning applications. That is a long-term program in the sense that it takes a while to work with the consulting engineers and the design people. So they do not always happen immediately but we have a lot of commitments as well as projects that are in service. We currently have over a thousand applications, and these are from many of the large users and direct industrial customers we have. We have 354 of those projects in service. There are another 155 committed. It is just a matter of installing the equipment, and the customers are working on that. That has really been done in the last two years as that program revved up.

Among some of the major projects we are talking about there is almost a two-megawatt saving at First Canadian Place and over a one-megawatt saving in Hydro's own chemical research laboratory, by using a heat pump rather than resistance heating. The Toronto-Dominion Centre saved over half a megawatt. The same thing with the Shipp Centre out in Etobicoke: When it was built it used that new thermal cool storage technology. The list goes on and on.

The other major program in commercial and industrial is lighting. That program has achieved about 76 megawatts of actual savings. Those savings are very valuable to us because quite often the lights in commercial and industrial buildings are on not just two or three hours a day, as the lights in your house are on, but 12, 14, sometimes 24 hours a day if the plant is working three shifts.

In addition to the 76 megawatts we have actually saved, there are about another 70 megawatts of savings committed on the books now. Also, we are looking at major savings in a project with a major mining company in Sudbury. We are looking at saving more than four megawatts over three years just in their lighting application

alone. Carleton University represents the largest installation of T8 lights, a more advanced version of fluorescent lights, which are much more efficient in North America. They have saved almost a megawatt at Carleton University, with an incentive from Ontario Hydro of \$770,000.

We have in industrial another accelerated payback program which helps customers make process improvements in their actual industrial process. We have had some fairly substantial projects there as well. Laidlaw Waste Systems has improved its steam turbine drives. Stelco has done some fairly major projects as well. Then there is CP Forest Products, one we mentioned earlier.

In addition, we have a street lighting program that is literally tearing up the province in terms of replacing street lights. Over 111 municipalities have already changed their lights as a result of that program and we have another 100-some applications under way. We are looking at savings in North York of almost two megawatts; Scarborough, two megawatts; Hamilton, one and a half, and so on. Those are pretty substantial savings.

In the residential sector we have a whole range of programs to deal with the very varied types of savings that are potential in the residential market. We have heard quite a bit about the lightbulb program that was run this fall. That, we currently estimate, has achieved savings of about six megawatts, and the actual cost of that program was about \$1.5 million less than we originally estimated. We are working on a refrigerator buyback program, we have coupons on compact fluorescent lights, ground-source heat pumps and so on, a whole range of things, because obviously you do not get a huge hit in residential; you get a lot of little ones.

**Mr Huget:** In your experience, first, do you feel you have exhausted the potential for energy conservation and efficiency? Second, what has been the reaction from the public and the business community?

**Ms Fraser:** No, we have just begun to scratch the surface of energy efficiency. We are working with the federal and provincial governments on targets of around 20% savings in their buildings. That will make for some pretty significant savings when you think about how many government buildings there really are in the province. The city of Toronto is also looking at a fairly aggressive program. We have just completed audits which have identified savings in excess of 20% in their buildings. I think we are just beginning.

In terms of how business and customers feel about it, our most recent research basically says that the more we are involved with customers, helping them to manage their energy services, the better they feel about the product, the company and the degree of service they are getting. It increases the opportunity for a positive relationship when we start building that over time rather than dealing with it as a one-of-a-kind of a situation.

1540

**Mr Jordan:** As long as it is there when he flicks the switch.

**Ms Fraser:** That is certainly the most important, and that is what we are aiming to do.

**Mr Jordan:** I have a lot of experience with customers; they can turn on you very fast.

**The Vice-Chair:** I remind Mr Huget that two of his colleagues would also like questions.

**Mr Huget:** Thank you. One final point: Briefly, you mentioned that the recession is at least one part or component of the update to the demand-supply plan. I am curious to know what your experience is of other utilities having to deal with this recession issue and what impact it has had on other utilities.

**Mr Eliesen:** As I mentioned in response to some of the earlier questions, Ontario Hydro is no different from other utilities, whether in Canada or the United States. Our experience in context with other utilities has shown that they find themselves in similar positions, where their level of demand is down significantly. Again, the two main factors are the economic downturn, which everyone is experiencing in North America, and, given various degrees of success, the demand management programs. That is why you hear, for example, from the eastern seaboard that the level of demand required there, particularly what Hydro-Québec was going to supply through James Bay, is now being reviewed by the New York Power Authority and other users, because the need is not there the way it was perceived two years ago. It has been pretty dramatic. It is not only happening here in Ontario; it is happening in other provinces and it is happening throughout North America, for that matter.

**Mr Huget:** I defer to Mr Jamison.

**Mr Jamison:** Thank you, Mr Eliesen. I do not usually sit on this committee, but I am pleased to be here today to hear what you have to say.

My responsibilities with the government are with the Ministry of Industry, Trade and Technology. I have become very aware that just-in-time delivery in the industrial sector is a very important aspect of doing business. So when you talk about that, I am very pleased to hear about Ontario Hydro not building beyond what would be needed.

I think your explanation here today is a valid one not just for Ontario Hydro, because people talk about Hydro as a crown corporation in one sense and then other people talk about how it should be left on its own to be run strictly as a business without the general good of the population taken into account. I think it is important that you have moved with and recognized the times, because too many people have seen Ontario Hydro as not able to do that in the past. I think that is very important.

I have a question. It really deals with energy efficiency and the way you can help companies in that area to be more competitive, because that is a major question today in our economy. How can we be more competitive? How can we get there? I wonder if you can tell me the kinds of programs—for example, you mentioned a company that is very important to the area I live in, Stelco, in my riding. How have you helped Stelco become more competitive, bringing down the amount of energy usage within that plant and at the same time making it more competitive in the global marketplace? There are other companies, like Esso in refining. I imagine there is probably some cogeneration that

could take place in a number of places like that. That is the question. How have you helped in those areas?

**Mr Eliesen:** Marion, this is your forum.

**Ms Fraser:** I guess so. I am looking for the project description of some of the work we have done at Stelco, a project under examination there that could save about 440 kilowatts—that is half a megawatt—which is quite substantial. Some of these projects of course are, because of the nature of the industry, confidential. I cannot tell you the details of all of them, but certainly improving the competitiveness of Ontario industries is something that is front and centre.

A few weeks ago I was having discussions with our field staff in terms of what they saw our business being, and unequivocally they came back and said that what we are in business to do is help our customers stay in business. They see very much that the kinds of projects they are helping customers identify in terms of energy savings, whether it is replacing lighting, whether it is putting variable-speed drives on motors, whether it is high-efficiency motors themselves, are very critical to doing that.

When we did our original estimates we did not see as much potential in the industrial sector as we did in the other two sectors, because we assumed that if they had been "good business decisions" they would have been made, with reasonable paybacks.

But we are finding that industry needs to see where a project has been done before. They are very keen on making sure that their process works well. If we can give them information or demonstrate where another company has used that kind of technology, they are much more likely to try it themselves. That is the approach we take. I used to use a lot of testimonials in newsletters and sales presentations that our field staff do with particular customers. As I said, in some cases we are actually putting Ontario Hydro staff in plants for six months to work with the energy management committee or help to establish an energy management committee. From the response we have had back from customers, it has been very positive.

**Mr Jamison:** One more?

**The Vice-Chair:** Yes. Please leave time for Mr Klopp.

**Mr Jamison:** You went on to describe one area. I think you mentioned CP Forest Products having savings of \$7 million?

**Ms Fraser:** Correct.

**Mr Jamison:** In an area that is under some severe pressure for a number of reasons, I find that to be very significant, because again, there has to be money for reinvestment purposes in that industry, for upgrading technologies and so forth. Could you describe to me what was done there?

**Ms Fraser:** That project is really developing an overall energy management program and helping the customer shift its use to off-peak times. As you know, now with large users and direct customers we provide time-of-use rates which allow them to utilize off-peak power, which is

less expensive. Being able to shift their operations to those times is quite a benefit for them. Their bill last year, just as an example, was \$60 million. Bringing that down \$7 million is more than a 10% reduction, so that is quite significant for them.

**Mr Jamison:** I defer to Mr Klopp at this point.

**Mr Klopp:** Thank you very much. It has been an interesting day. Unlike Leo, I went on farming; I did not get into the electrical business. I decided to do something that did not make as much money, but that is the way it goes.

**Mr Jordan:** You made other mistakes too.

**Mr Klopp:** That is only one mistake I made. However, over the last couple or three weeks we have been hearing a lot of criticism that has tried to tell me that Ontario Hydro is only really benefiting cities and people and industries in those cities. I come from a rural area and I feel that we need to have some benefits for the farmers, especially our industry—agriculture. Are there any benefits that Ontario Hydro has to help us reduce our energy needs and save me money?

**Mr Eliesen:** There is a whole variety of programs, and I am about to get Marion to go into some detail. But before I do so, I should make a general observation with regard to the rural area. There is a benefit, quite a significant benefit, included in the act. It provides a subsidy for the rural ratepayer, to the tune of roughly \$110 million on an annual basis. That is a discount in the rates the rural people get compared to people within metropolitan areas. In addition to that, there is a whole variety of significant programs, whether it is ground heat pumps or what not. Maybe I will ask Marion to give a general description.

1550

**Ms Fraser:** Certainly. We have a number of programs that deal specifically with the farm population. We have an audit program which provides an in-depth audit of the farm operation, to help the operator identify where he can make savings. We had a special on last year in terms of low-wattage heat lamps and we saved about a megawatt there. That is quite a few lamps when you start to add it up. In terms of lighting improvements, which would be both high-pressure sodium and compact fluorescent, this last year alone there were three megawatts of savings in farm operations. That provides some pretty substantial benefits.

If I go back to the research I was talking about earlier, if you looked at it as a popularity poll, our agricultural customers are probably the happiest of all with us in terms of the kinds of service our agricultural field representatives can give them. They have been working very closely with them for quite some time.

**Mr Klopp:** The changes with regard to Bill 118 are not going to inhibit those but only improve them, I assume. The rural area is not going to be forgotten?

**Ms Fraser:** Oh, absolutely not.

**Mr Huget:** With regard to Hydro itself, I think we have heard some criticism from various sources over the course of the hearings in terms of Hydro's costs and issues related to costs. Seeing as I am talking to the boss of the corporation, I would like to know what Ontario Hydro has

undertaken since you have become chair to deal with the issue of costs and reduced expenses.

**Mr Eliesen:** I cut my salary.

**Interjections.**

**Mr Eliesen:** As my colleagues around the table have mentioned, I froze some of theirs as well.

**Mr Huget:** You are not alone, Mr Eliesen.

**Mr Eliesen:** We have undertaken a significant exercise within the corporation to try to get a better handle on costs. Obviously there are fixed costs that we cannot deal with overnight. Our interest costs are roughly 35% to 40% of our overall costs. Whether we like it or not, we have to pay the interest on the long-term debt. More specifically, though—and I believe I mentioned this earlier in one of my replies—we are looking at the Ontario Manual of Administration, we are looking at administrative costs, we are looking at fuel costs and we are making significant changes there. I am not in a position today to make any specific announcements on some of those cost measures, but I think they reflect a change from past activities where perhaps the long-term contracts prevented some of those changes from taking place.

It is important for Ontario Hydro to ensure that its ratepayers pay as little as possible and I believe we will be successful in the long run. Unfortunately the large double-digit rate increases we are experiencing this year are a reflection of decisions made many years ago. I think it is important for people to focus on that so we avoid making those errors now, which means ratepayers in the future will be subject to those same kinds of rate increases. We are trying to avoid those financial risks and exposures, those long-term financial commitments that have caused the utility to carry a lot of heavy costs during many years. I believe we will be successful.

**The Vice-Chair:** You have about two minutes left of your caucus's time if you have any questions left.

**Mr Huget:** I have one brief one and that is around the question of public awareness. I think it is safe to say that the subject has come up, usually with the assistance of Mr Jordan, during committee hearings about public awareness and things like the lightbulb campaign. I think Hydro spends a significant amount of money on those activities and I guess I would like to know why. Is it worthwhile? Are you getting any benefit out of this? Are we getting any benefit out of this?

**Mr Eliesen:** We are getting tremendous benefit. I was waiting for someone to ask a question on the lightbulb program, since I noticed in the committee hearings a lot of people had comments and what not. It has been a positive success; it has been a tremendous success, far greater than we ever anticipated. Yes, when you do this massive kind of distribution there are going to be glitches and some people will not find their lightbulbs for a variety of reasons. But I can ask Marion, if you will bear with me for a couple of minutes—she can go on for 10 or 15—to give you a summary of some of the successes of that particular program.

**Ms Fraser:** What the program was designed to do originally was really three things. It was to make the sav-

ings that would come from replacing a 60-watt lightbulb with a 52-watt lightbulb. It was intended to enhance awareness, as you mentioned, and that is a big one, with respect to the variety of opportunities for saving with respect to residential lighting.

We had done the promotion the year before with compact fluorescents, the joint promotion with Loblaws, that had been overwhelmingly successful. We wanted to communicate that we realize that a compact fluorescent was not an appropriate bulb for every spot in the house, that there are other places that are not used as much and so on, and that there are ranges of savings.

We also wanted to encourage the manufacturers and distributors of these lightbulbs to start stocking and promoting the energy-saving lamps and give them shelf space. Prior to our campaign with, as we call it, the bulb drop this fall—I hope not too many of them were dropped—only one company was putting those on the shelf very often. They would do it as a promotion every once in a while. It was not seen as a big part of their product line. We are now seeing situations where you go into any grocery store or hardware store and the different companies are now offering them promotionally and including that broader range of things.

Actually, Shell Canada is starting a program today that we are cooperating with in terms of taking steps to save energy. There are coupons both for compact fluorescents and the 52-watt lightbulb. They came to Ontario Hydro because of the credibility they saw we had developed with that program and with the awareness of it.

One of the questions people put to us with respect to this program is: "Where do people put those lights? I bet you anything they put them in place of a 40." In actual fact what we have found is that probably fewer than about 3% of the people who installed the lamps put them in place of a lower-wattage lamp. Some 78% of them actually did replace a 60-watt bulb with them and 15% replaced a 100-watt bulb. There were 4% who said they did not know what they replaced with them, and actually I think I fall into that category because I could not remember today whether it was a 60 or a 100 I had replaced with mine.

So in actual fact, because of those numbers, the impact from that program is probably going to be greater than we anticipated, and we really will not know the true impact of the program until we start to see what is on the shelves next year or the year after. We are really going after the hearts and minds of Ontarians and giving them opportunities and information so they can save energy and help the environment. One of the things that comes through loud and clear in our research is, "Tell us the kinds of things we need to do and we'll do them." Right now they sort of think they have done everything they can, so we have to broaden the awareness very much to help them find ways to save energy, because they do want to.

**The Vice-Chair:** Thank you. I would like to thank you, Mr Eliesen. It was agreed some time ago that each party would have a half an hour with you and we have eaten up all that time. I know there are still questions left. There are some questions, I believe, that people asked of some of your staff. I believe there are still a few questions

there that they would like to put forward. You are more than welcome to stay and enjoy the afternoon. It is probably less hectic than the office. But this was the agreed-upon amount of time, so what we will do now is go into if anyone else has any questions of the support staff. I wish to also thank the staff, by the way, for their facts and figures that helped bring some of this out for us.

I have one question myself that I have been dying to ask all afternoon because the bag is not here with the little bulbs. Mr Jordan, for the sake of those committee members present, did you use your lightbulbs?

1600

**Mr Jordan:** I think I did more to advertise those bulbs than your \$7 million.

**Mr Klopp:** There is a rumour that Leo took those to every room we were in and plugged them in at night when he was reading. That is the rumour.

**Mr Jordan:** I tell you, representing a rural area, and I am sure you people interested in the customer want to hear it, all it was to them was increased cost, because the hydro bill came the day after the bulbs, and it went up I forget what percentage in January. When they came into the constituency office, believe you me, they did not think like you or I are thinking of the wattage you are going to save there. In the rural there were some 40-watt bulbs replaced with 50-watt, no question about it.

Maybe the program did create awareness. I am not arguing that, because I am as much a conservationist as anybody. I am just frightened that we get overdependent on it and get caught. My partner has a question for the chairman.

**The Vice-Chair:** You can respond if you wish.

**Mr Eliesen:** I am in your hands. I am more than prepared to answer any questions.

**The Vice-Chair:** If you wish to stay and join in the questions and answers for the afternoon. However, I warn you, sir, you do so at your own peril. We had agreed to the half hour and after this it will go around.

**Mr Eliesen:** If there are any specific questions people have, I am more than prepared to answer.

**Mr Arnott:** There has been a trend that has been noted that we are getting towards a summer peak for Ontario Hydro, away from a winter peak. The trend seems to be going in that direction. Has Hydro studied that matter, and is there a projection that we may in a number of years see a summer peak?

**Mr MacCarthy:** Yes, we have studied and we have looked at it. There still is a very significant difference between the summer peak and the winter peak, but the summer peak is moving more rapidly than the winter peak. But it will be a substantial number of years before they are comparable. In the meantime, though, we have programs which are also addressing the summer peak as well, like air conditioning, for example.

**Mr Arnott:** Can you give me a year as to when the summer peak will exceed the winter?

**Mr MacCarthy:** I do not think I could. I think the difference is about 6,000 megawatts between summer and winter peaks.

**Mr Eliesen:** That is a significant difference, 6,000 megawatts right now. I guess the question will be—which will reflect on the success of our programs—how we can limit or abate both the summer and winter peaking.

**Mr Arnott:** This committee travelled to St Catharines, whose public utilities commission already experiences a summer peak.

**Mr MacCarthy:** Several of the southern Ontario utilities do have a summer peak, but if you look at the total system, the winter peak still is—

**Mr Arnott:** Excuse me. The fuel-switching initiatives that have been sold to us have largely been eliminating the demand for hydro for the use of space heating. If we experience a summer peak in the not-too-distant future, and we are not sure exactly when—"considerable number of years," I think, was the terminology used—does that not lead us to question the demand-supply plan?

**Mr MacCarthy:** I do not think it does. We will be addressing that as we go. It is not something that is going to happen overnight. If we see that pattern developing, then we would have to come up with more programs to address the summer.

**Mr Jordan:** Are the 311 or 312 utilities going to have—and they have elected representatives—the freedom to say: "We don't want that program to lose our heating and hot water load, because we have a summer peak on which we're charged for hydro and we want those kilowatt hours for revenue. We need it to support our distribution system"? Are they going to have that freedom or are you going to come on with a blanket policy on top of them?

**Mr MacCarthy:** We will be working with each of the municipal utilities to come up with a program that is acceptable to them. We cannot be successful in our overall demand management initiatives without the support and commitment of the municipal utilities.

**Mr Jordan:** They feel they have been left out, and I always think when people are Ontario Hydro-bashing they have been looking at it as a big monster. In reality, it is 312 companies that are retailing.

**Mr Eliesen:** Quite frankly, as Dane has indicated, we need their support. We cannot do it ourselves. We are ensuring that, through the proper committee stages and then through the MEA as well as direct contact with the local utility, that kind of joint partnership can be enhanced in the future.

**Mr Jordan:** Thank you.

**Mr McGuinty:** One of the biggest issues as far as the average ratepayer is concerned today is what we pay for our electricity. First, the former minister, Mr Ferguson, indicated that rates would not increase. I may be misquoting, but I can recall some article appearing in the newspaper to the effect that we would not be experiencing double-digit increases over the next few years, as many of us had anticipated. Can you provide that kind of a guarantee?

**Mr Eliesen:** The guarantee I will provide to members of this committee is that the board of Ontario Hydro, as called for under the Power Corporation Act, will determine and make the decision on the kinds of rates that are appropriate for the future. We go through an annual regulatory approval process with the Ontario Energy Board which provides parties to intervene and question us on our rate proposals, but the Power Corporation Act—and I have not seen any changes—calls upon the board to determine what rates are appropriate.

With regard to the double-digit increases, as I indicated, some time earlier I saw, with the problems of the nuclear system and with Darlington coming in, that we were looking at a period for a couple of years or so of double-digit increases, and we are going through that this year. It is my hope, though, that we can avoid the double-digit increases, and the board of Ontario Hydro has yet to determine a rate that it wants to put forward for 1993. We do this in April and we submit it for public scrutiny to the Ontario Energy Board. But it is my hope and expectation that it can be below double-digit; in other words, back to the single-digit one. That is something that the board will have to determine and make its recommendations.

**Mr McGuinty:** The public utility commission people who appeared before us—I think there was no exception in this regard—told us they believed that if we went ahead with the fuel-switching program, as would be authorized by Bill 118, rates would go up as a result of the fuel-switching program. How do you respond to that?

**Mr Eliesen:** I do not know on what basis they would make that kind of allegation. We have yet to determine, as I mentioned in my speech, incentives if necessary, but not necessarily incentives. We have not done the necessary research or homework in this area because we have been precluded through legislation from looking into that area. I have indicated specifically with space heating that we do not believe any incentives are required. In a large number of these areas it is simply information and advice, which we are basically forbidden to do by legislation. We will provide an opportunity to tell the ratepayer how to reduce his or her electricity or energy costs in the long run. As I mentioned further, again in reference to the municipal electric utilities, it is something we have to work through with them. We do not have the power or the ability to do it. We have to work with the 300-plus utilities in this entire area.

**Mr MacCarthy:** If I may comment on that, in the short term there can be a rate increase. Clearly if you have assets in place and you are getting less revenue there will be an increase in your rate requirements, but what we are addressing is a longer-term perspective. As you require additional assets, if you can avoid more costly assets which would increase the requirements, in the long term you will be better off. In the short term, clearly, if you had no change in your assets and you were getting less revenue in and you had to allocate those assets across a smaller number of kilowatt-hours, the rates would go up. I suspect that is probably what the municipal utilities were talking about.

**Mr Eliesen:** Mr Chairman, I have a previous commitment. I am advised I am late already, so I am going to have to leave the committee at this stage, if that is acceptable.

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**The Vice-Chair:** I thank you once again for the extra time. I know the parties appreciate that. Some of your people were going to stay and help us if there were any other questions. I believe there were questions for some of the support staff.

**Mr McGuinty:** If there is any one here who could deal with the economics of fuel switching.

**Mr Eliesen:** Marion Fraser certainly will.

**The Vice-Chair:** Thank you again, Mr Eliesen. Mr McGuinty, the floor is yours.

**Mr McGuinty:** Ms Fraser, pursuing what I raised with Mr Eliesen before his departure, as I said, the public utilities commission people are very concerned about the impact a fuel-switching program would have on the rates they would have to charge their local consumers.

**Ms Fraser:** Yes, it is a similar concern they have expressed with respect to demand management generally.

**Mr McGuinty:** Right. As a member sitting on the committee, it is pretty compelling evidence for these people, who are elected from within their community and who have a responsibility to look out for the interests of their local ratepayers. It is very difficult for me to dismiss it outright either as part of some kind of conspiracy or as some kind of positive initiative that they are all independently acting to thwart.

I am concerned as a result of their concerns. They are telling me that if we pay people who are now heating their homes electrically to switch to natural gas for instance, it is going to cause the rates to go up. If you cannot provide this kind of information today, I will accept your undertaking to provide it to the committee in writing. What kind of projections have you made in terms of rates increasing as a result of people using less electricity? How long is the payback period? By that I mean—I forget the gentleman's name who is sitting beside you.

**Ms Fraser:** Mr MacCarthy.

**Mr McGuinty:** Mr MacCarthy made reference to the fact that at some point it is going to turn around. If we can label that a payback period, how long is that period before ratepayers will be better off for having bitten the bullet at the outset rather than not having bitten it and having been forced to deal with increased generation costs?

**Ms Fraser:** Maybe I could just take a step back. We look at the current approved programs that we have with respect to demand management and we do a number of different financial tests when we assess each program. One of those financial tests is to assess the rate impact on the distribution utilities as a whole.

Of course, this does not include any fuel-switching programs at this time. As Mr Eliesen pointed out, we do not have any of those yet. With the current slate of approved programs, the net impact on the distributor rates is actually positive as a result of a number of things. One is quite often the load we are looking at saving in our programs

comes off their peak as well as our peak, and that can bring down the rates they pay to us. So even though they might be taking in less from the customers, they are also paying Ontario Hydro less for that rate.

In addition, the expansion they have to go through for distribution systems—and certainly it varies across utilities, different patterns of local growth—will not happen if demand management results are achieved in those areas. Quite often distribution expansion is financed out of current revenues as opposed to borrowed and then repaid over time. So I think the simple formula—fewer kilowatts is fewer kilowatt-hours, fewer kilowatt-hours is less revenue, less revenue means rates go up—is much more complicated than that. One of the things we want to do is help the utilities understand their own particular circumstances with respect to the impacts of demand management. That will include fuel switching, if it is allowed to be included.

**Mr McGuinty:** Ms Fraser, certainly a hallmark of Bill 118 is this business of fuel switching. I can assure you that if this bill goes ahead, and there is every indication it will, and becomes law, this government will want to have fuel-switching initiatives of some kind or other put in place. But you are telling me that Hydro has not studied the impact of fuel switching; it has not made projections in terms of savings because it is not allowed to by law. Is that correct?

**Ms Fraser:** So far we have done some financial analysis on specific kinds of loads, for instance, space heating and water heating and residential. We have done limited analysis with respect to absorption chilling in the commercial sector, looking at the impact both in terms of CO<sub>2</sub> reductions as well as the overall energy efficiency we are looking at.

But we do not have a comprehensive analysis that “this amount of fuel switching will have this amount of rate impact,” because until you design the program you do not exactly know what that is going to be. We could, for instance, design a program in which perhaps Ontario Hydro paid for the full cost of the conversion up front but then, to pay for that, charged back the customers who benefited out of their savings on their energy bills. In that case, the program could actually run as a basically neutral impact in terms of our costs. That would have very different rate impacts then if we paid for the whole kit and caboodle and then charged it to all the ratepayers.

So the question you asked really requires some pretty in-depth program design kinds of things before you can come up with a blanket statement that it is going to have this impact on rates. Again, it is the long-term versus short-term kinds of opportunities.

**Mr McGuinty:** So if Bill 118 becomes law, we will still have to perform the necessary studies that will enable us to determine if any fuel-switching subsidization—if I can use that word—programs would not be effective.

**Ms Fraser:** We would have to look at the cost of benefits and the specifics. Obviously if you are looking at replacing a forced-air electric furnace with a gas furnace, that has one set of costs. If you are looking at a two-storey house that is built with baseboard heaters, then you are

going to have to look at putting in duct work and all the costs associated with that as well as problems that the consumer might find in having all of a sudden ducts where you did not have ducts before. They are very different situations. The kind of in-depth analysis we do, program by program, is to look at those costs and benefits.

**Mr McGuinty:** Those have not been done yet?

**Ms Fraser:** Not in terms of designing a program. In terms of ballparking the costs and benefits to determine the potential, all that information was filed at the Environmental Assessment Board this summer.

**Mr MacCarthy:** If I may add to that, Mr McGuinty, I think the likelihood is that we would move on a stage basis because some of the options, like conversions to gas, are really quite attractive now, so the initial approach would be a more substantial information program to try to get those conversions in place. We try to avoid with our existing programs what we call “free riders,” the people who would make those decisions in any event. So as a strategic initiative we would start off with a more substantial information program to get as many conversions as we could through that process and then gradually move towards incentives. There is some timing involved in this process.

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**Mr Cleary:** Thank you, Ms Fraser, for being here in Mr Eliesen's seat. We had the opportunity to speak to him a moment or two before the meeting started.

You listed all the things you were doing to help the agricultural community. There is another way you could do that, and it would really be impressive if you would consider what I am about to say.

Throughout our discussions on Bill 118, and particularly in the February 7 non-utility generation report, the committee has heard about a positive aspect of fuel switching for environmental purposes. You said both natural gas and ethanol are environmentally preferred fuels. The cost-efficient manufacture of ethanol requires an interconnection between the two. With a cogenerating plant, this, coupled with greenhouse, provides not just an environmentally friendly fuel but an environmentally acceptable product method. Given these facts, would such a complex be given special project status, as referred to in your report?

**Mr MacCarthy:** The plain answer is that we would have to look at the details of the proposal and compare it with other options. I would have to study it further before I would just automatically say at this point in time that we would grant special project status.

**Mr Cleary:** We have already sent a document to your office with a proposal. I also have a copy of my question here.

**Mr MacCarthy:** Have you got an answer back yet?

**Mr Cleary:** No. We were supposed to have a meeting back in December and it was cancelled out with your chairman and the Environment minister.

**Mr MacCarthy:** We will be forwarding an answer to you.

**Mr Cleary:** If you need another copy of the project, I can send you another one.

**Mr MacCarthy:** I am sure it is being reviewed by the staff and a decision will be made.

**Mr Cleary:** Maybe I will leave a copy of my question with you, then, too.

**Mr MacCarthy:** Yes, that is fine.

**Mr Brown:** I would be remiss not to ask Ontario Hydro's probably most capable employee, at least in the head office staff, who was born and raised in Gore Bay, Manitoulin Island—

**Ms Fraser:** You had better qualify that.

**Mr Brown:** I had better be careful.

**Ms Fraser:** Yes, you had better qualify what is intended—

**The Vice-Chair:** We will be sending this back to Gore Bay.

**Mr Brown:** That is right. I could be in big trouble back home, Marion. Mr Eliesen spoke about avoiding cost and said that all of your initiatives would be below avoided cost. When he talks about avoided cost, what really do we mean? Do we mean the net avoided costs? You obviously receive revenue from producing electricity, and there is a cost. Is it the difference we are talking about? I do not know whether I made myself clear. You are probably better at it than me, so take a crack at it.

**Ms Fraser:** When we determine if a demand management initiative is cost-effective, basically we are doing that from a total societal perspective. There is a cost with respect to generating electricity to supply that kilowatt or megawatt. That cost is composed of both the capacity cost, ie, the plant required to do it, as well as the fuel required to support it. Then we look at the measure itself, if it is putting in more efficient lights and, say, in the case of a retrofit measure, where we would have to take out all these lights and put new lights back in, and we would probably have to do something to make sure that it looked as nice as it does now—it would probably look better with more efficient lights. We will compare the cost of that, which is really the demand management. It is not just what we pay, but the total cost of it. Sometimes customers pay all of that, sometimes they pay part of it, sometimes incentives do, but really it is the cost of that measure versus what it would cost on the supply side, to compare those things.

At this point, rates do not enter into that calculation. If we were to take rates into that calculation, we would be using something called the no losers test, which essentially was the test that I believe the select committee gave us direction not to use in terms of our demand management activity. Really it would be very difficult to find applications that were so perfect that you would not be losing some rates in the short term.

Again, what we are trying to do by using this total customer cost test is to reduce the total electricity bill for Ontario, as opposed to keeping the rates low. If the rates go up but people are actually using less, then they are ahead and the province is ahead. That is the fundamental point. Everything has to be economic in those terms in order for us to pursue it.

**Mr MacCarthy:** That is a fundamental point associated with demand management which is quite often not understood, in that the focus is on a lower bill versus a lower rate. That is really the difference it makes to the end user. If you can provide an incentive which will cost more but the reduction in electricity use more than compensates for that incentive cost, the province is better off. That is the philosophical orientation.

**Mr Jordan:** We pay more for less?

**Mr MacCarthy:** Yes, but the net result is that you are better off. What I care about is what I pay in my bill. If I can use half the electricity and pay a higher cost per kilowatt-hour, I am still better off.

**Ms Fraser:** The way we look at it, it is not the electricity that the customer wants; it is the benefit. It is either the heat or the light. If we can put into a room like this a new lighting system that uses 40% less electricity but gives you the same lighting level, and actually if it were replaced with the T8 lights, the quality of light would be much better as well. We would all look healthy instead of sallow and it would be a benefit.

**Mr Klopp:** There is hope, Leo.

**Ms Fraser:** That is right. The deputy minister's boardroom in Energy, Mines and Resources was the first room I was ever in with T8 lights. It is a substantial difference over and above the energy savings.

**Mr Brown:** I can understand that a particular user can make the assumptions and go through that, but the avoided cost, what we are talking about there is the generating and what it might be like for all the consumers across the province. I might win by having you subsidize me to a certain level, but maybe all consumers will pay a little bit more than they might if a new generating station of whatever type was built somewhere. Are you telling me that cannot happen?

**Mr MacCarthy:** The idea behind it is that the program base is sufficiently broad that everyone can participate. If at the end you choose not to participate, then you could have a higher cost without the associated benefit. Okay?

**Mr Brown:** I do not know whether I am okay or not. I have been struggling with this. I am familiar with these issues. It is really an accountant's issue. The bean counters can figure this one out; poor MPPs like me never can. My concern is that in doing this, Hydro distorts the energy market. I think you would agree that you are attempting to do that.

**Mr MacCarthy:** Yes.

**Mr Brown:** My concern is that the other parts of the energy market, whether it be fossil fuels or whatever, are not subject to the same kind of societal value situation. We have Hydro doing one thing, probably for very good reasons, but we leave a whole segment of the energy industry out there doing whatever it will. I have this problem. I have wondered aloud why we do not have a provincial policy, perhaps a crown corporation, to chase down conservation everywhere rather than just target Hydro. I think that often when you are making these decisions you are in almost a conflict-of-interest situation and that it might be better to

be doing this across the board rather than in particular—I know you should not answer that question, so I am not going to ask it.

**Mr MacCarthy:** I was going to direct you to the government officials.

**Mr Brown:** That is the nature of my concern.

**Mr Jordan:** Mr MacCarthy, I will direct my question to you. I had a letter from my colleague Mr Huget, who gave me the reasoning behind an agreement between Ontario Hydro, the Ministry of Energy, the Ontario Home Builders' Association and the gas company that if there is a subdivision that is serviceable by natural gas and there are R-2000 homes in there, I cannot go in and buy a lot and put an all-electric home in that subdivision.

**Mr MacCarthy:** I am not familiar with that specific provision myself.

**Mr Jordan:** I just thought it was a little strong.

**Ms Fraser:** We do not provide incentives for R-2000 homes that are in areas served by gas because we do not want to encourage people to switch from gas to electricity by providing an incentive. That would be counter—

**Mr Jordan:** That would indeed be an incentive. It is a new home, I am building in an R-2000 subdivision.

**Ms Fraser:** Yes. That is right. We do provide incentives for R-2000 homes in areas that are not served by gas. The reason we make that distinction is to ensure that we do not end up making it more attractive for someone to use electricity than gas, upfront costs, when we know that the long-term operating costs are going to be much higher for electricity than for gas in an R-2000 home.

**Mr Jordan:** I think Mr Huget answered it all, except that one point is still being tossed around. If you are developing a subdivision and there are going to be R-2000 homes and there is natural gas available, I cannot go to the builder and say, "That's fine, but I'd like an all-electric home." The way I read it, and I have not seen a copy of it, is that it is not acceptable.

**Mr MacCarthy:** Definitely it would be the case that Marion specified: that we would not be providing an incentive in that situation.

**Mr Jordan:** To the home builder, you mean?

**Mr MacCarthy:** That is right.

**Mr Jordan:** It is not fuel switching; it is the first fuel going into the home.

**Mr MacCarthy:** Yes.

**Mr Jordan:** So what type of incentive would you be providing?

**Mr MacCarthy:** We would not be providing an incentive.

**Mr Jordan:** No, but what would you have been providing?

**Ms Fraser:** For an R-2000 home there is both an incentive for the purchaser and for the home builder.

**Mr Jordan:** For the insulation in it.

**Ms Fraser:** That is right.

**Mr Jordan:** Why would the gas company not provide that incentive in an all-gas subdivision with R-2000?

**Mr MacCarthy:** They could. We do not control the gas company.

**Mr Jordan:** Maybe we should.

**The Vice-Chair:** Are there any other questions? Hearing none, I thank you very much for spending the afternoon with us. It has been most informative and a lot less tense than I expected.

**Mr McGuinty:** We are very civilized here, Mr Chair.

**The Vice-Chair:** Yes. I appreciate that with this committee. I have subbed in other committees and I appreciate the way we handle ourselves in this committee. I thank everyone again for today. We are adjourned until 10 o'clock tomorrow morning, at which time we will commence the clause-by-clause.

The committee adjourned at 1634.

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Marc Eliesen, chair	
Dane MacCarthy, vice-president, environment and corporate planning branch	
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Elgin Horton, vice-president, nuclear operations branch	
Marion Fraser, manager of commercial programs, energy management and corporate relations branch	

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McGuinty, Dalton (Ottawa South/-Sud L)

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Ramsay, David (Timiskaming L)

Wood, Len (Cochrane North/-Nord ND)

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Farnan, Mike (Cambridge ND) for Mr Wood

Jamison, Norm (Norfolk ND) for Mr Kormos

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# Official Report of Debates (Hansard)

Tuesday 18 February 1992



# Journal des débats (Hansard)

Le mardi 18 février 1992

## Standing committee on resources development

Power Corporation  
Amendment Act, 1991

## Comité permanent du développement des ressources

Loi de 1991 modifiant  
la Loi sur la Société de l'électricité

Chair: Peter Kormos  
Clerk: Harold Brown

Président : Peter Kormos  
Greffier : Harold Brown

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday February 18 1992

The committee met at 1040 in committee room 2.

### POWER CORPORATION AMENDMENT ACT, 1991

#### LOI DE 1991 MODIFIANT LA LOI SUR LA SOCIÉTÉ DE L'ÉLECTRICITÉ

Resuming consideration of Bill 118, An Act to amend the Power Corporation Act / Projet de loi 118, Loi modifiant la Loi sur la Société de l'électricité.

**The Vice-Chair:** I am going to call the meeting to order.

Opening statements from the three parties are going to take place this morning and then we will adjourn. Maybe the subcommittee can get together just prior to this afternoon's meeting and iron out the last few things we have been talking about informally.

**Mr Arnott:** On a point of order, Mr Chair: Is it possible for members of the committee to have copies of the parliamentary assistant's statement?

**Mr Huget:** It is not CIA-type material. Copies can be made available.

**The Vice-Chair:** Have they been made available?

**Mr Huget:** We can get them made available. Mr Arnott usually listens intently to everything I say, so I am sure he probably will not need the written words.

**Mr Klopp:** He is keeping them for his album.

**The Vice-Chair:** Can we have a little order, please, Mr Klopp? We will get some copies made up for everyone. Can we proceed in the interim? Mr Huget, the floor is yours.

**Mr Huget:** Good morning, ladies and gentlemen. With me is Rick Jennings, acting manager of policy coordination at the Ministry of Energy. As we begin our clause-by-clause examination of Bill 118, it might be helpful if I briefly go over some of the issues the government is addressing with this legislation. I also want to tell you about some important motions I will be introducing in the course of these proceedings.

I would like to begin by reminding this committee that Bill 118 was introduced to help the government keep an important promise. That promise, made in the speech from the throne in November 1990, was to take Ontario in new energy directions. These are new energy directions that, more than ever before, emphasize the need to control the demand for energy and reduce our traditional dependence on increasing the supply. At the same time, the new energy directions recognize the need to ensure that Ontario continues to have reliable supplies of energy at reasonable prices.

An essential component of the new energy directions is the principle of partnership. The government obviously cannot make Ontario energy-efficient all by itself. We all have to work at it together as partners. That is how the Ministry of Energy is proceeding, by building partnerships with business and industry, environmental groups, labour and communities across the province. Let me say that

"partnership" is not just a word we are throwing around. Partnership works. It produces results.

A good example is the recent announcement that Canadian General Electric plans to start making high-efficiency lighting products in Oakville. To help make that project a reality, the government provided CGE with a \$30-million repayable loan. That investment will bear important dividends. It will help create 200 new jobs for Ontario workers, it will create new export earnings and it will add new strength to the province's high-tech industrial sector. That is the sort of thing we mean when we talk about partnership.

Another important partnership is the one between the government and Ontario Hydro. Hydro has been given a leading role in the drive to point Ontario in new energy directions, and Hydro has responded. It has raised its demand-management targets, and raised them again. In the course of this decade the utility plans to spend between \$5 billion and \$6 billion on energy efficiency and conservation.

Before I go on, let me make a comment on that figure. I know \$5 billion or \$6 billion is an awful lot to spend on saving electricity, but what we have to remember is that what is not saved must be produced, and it costs more to produce electricity than to save it. In this case, the electricity Hydro expects to save with its \$5 billion to \$6 billion would cost \$8 billion to \$10 billion to produce. In these days, when bargains are few and far between, that, I respectfully suggest, is a real bargain for the people of Ontario.

As you can see, partnership between Hydro and the government is absolutely essential to the government's energy policy, and strengthening the partnership is an important objective of Bill 118. But it is not the only objective. The bill will also make Hydro more responsive to the priorities and concerns of the people of Ontario. It will make the relationship between Hydro and the government more open and visible. It will guarantee Hydro's independence in its day-to-day operations. It will allow Hydro to expand its demand-management efforts.

I want to look at these objectives more closely, starting with the issue of Hydro's responsiveness. Bill 118 addresses this issue by proposing to add four new members to Hydro's board. We believe this will bring a broader range of interests and outlooks to bear on Hydro decision-making and help keep Hydro in closer touch with the community it serves. With an expanded board, no one can call Hydro a closed club.

The bill also clarifies the critical question of who runs what. To start with, it leaves no doubt that Hydro is its own boss in the day-to-day conduct of its business. At the same time, the bill enables the government to provide Hydro with direction in matters of policy. We believe this is both necessary and right. As I said earlier, Hydro has a pivotal role to play in implementing the government's new energy directions. It would make no sense at all for Hydro to be

pulling in one direction and the government to be pulling in another. The directive power contained in Bill 118 ensures that both Hydro and the government will be pulling in the same direction, towards a more energy-efficient Ontario.

There will be another important benefit as well. Under the Power Corporation Act, government direction to Hydro has been subject to a highly complex set of procedures and approvals. In order to get anything done at all, past governments have provided direction informally, frequently in closed sessions with Hydro management. That will change. Government directives to Hydro will create an open, visible channel for communicating the government's wishes and priorities. There will be no more closed doors.

We know this proposal has caused some concerns. The municipal electric utilities in particular say they are worried that the government might want to use this directive power to turn Hydro into an instrument of social and economic policy. This view has been stated during the course of this committee's hearings and in representations to the Ministry of Energy.

The government has responded to these concerns. It has given assurances that Bill 118 was never designed to allow anyone to misuse Hydro in this way. But if people are still worried, maybe we have not made our intentions clear enough. To make doubly sure there is no misunderstanding on this important point, I intend to present this committee with a motion to amend Bill 118. The motion will make it clear that the government's directive power will be limited to matters relating to Hydro's exercise of its powers and duties as set out in the Power Corporation Act.

Now to the question of fuel switching. As this committee knows, Bill 118 would allow Hydro, for the first time, to encourage electricity users to switch to other energy sources, where appropriate. I said earlier that an important aim of Bill 118 is to let Hydro make a more effective contribution to demand management. Allowing Hydro to promote fuel switching is a way of doing that. The potential payoff is immense. Hydro estimates that fuel switching can save between 870 and 2,100 megawatts of electricity by the end of this decade. These figures come into clearer focus when you reflect that the saving would be equivalent to the output of between one and three nuclear reactors the size of the reactors at Darlington.

There will also be a payoff for consumers. Most fuel switching will involve going from electricity to natural gas, and that reduces space heating costs by two thirds. If the switch were to be to oil, heating bills could be reduced by one third. For the most part, natural gas will replace electricity that has been produced from coal. That is another benefit. Natural gas is much cleaner-burning than coal, which means reduced emissions of combustion gases. Here again, the result will be less smog, less acid rain and lower levels of greenhouse gases. If you ask me, fuel switching is a winner all the way around.

Not everyone is convinced of this, and we know that. During your hearings on Bill 118 there were witnesses who felt fuel switching might benefit those who switch at a cost to those who do not. But the fact is that virtually everyone in the province stands to benefit.

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To start with, the option of switching to gas or oil for space heating is available to the large majority of Ontario citizens. Another reason for saying everyone will benefit is that to move away from electricity will reduce the pressure on Hydro to build large new generating facilities. As we all know so very well, such facilities cost a great deal of money, and the cost ultimately finds its way into the rate structure. In case anyone was in danger of forgetting that, Hydro has just reminded consumers with an 11.8% rate increase to help pay for Darlington. The environmental benefits of fuel switching are something else that will accrue to all the people of Ontario.

So far as implementation of the fuel-switching program is concerned, the government has told Hydro that the methodology must be worked out in consultation between Hydro and its key partners. These will include the municipal electrical utilities, the gas utilities and the companies supplying propane and oil. Through these discussions, the criteria and appropriate financial mechanisms for implementing fuel switching will be established. They will be established with due regard for the impact on all the parties involved.

As I indicated a few moments ago, Hydro has proved to be a willing and energetic partner in the drive to increase energy efficiency in Ontario, and it wants to be able to do even more. In discussions with the Ministry of Energy, Hydro has told us the changes proposed in Bill 118 need clarification to provide the latitude the utility needs to make a full contribution to demand management. Specifically, Hydro has asked the government to consider an additional change that would provide it with greater flexibility to provide incentives to encourage energy conservation. The government considers this a reasonable request, and during our clause-by-clause examination of Bill 118 I will be introducing a motion to that effect.

I will be introducing one other motion as well, this one dealing with the salary of Hydro's chair. Under the Power Corporation Act, responsibility for setting executive salaries at Hydro rests with the provincial cabinet. But in framing Bill 118, the government took the view that Hydro should be able to set its own salaries, just as private corporations do. However, it became clear that the public did not agree. Members of environmental groups and a lot of private citizens argued that the principle of accountability would be better served by leaving the responsibility for setting Hydro executives' salaries with cabinet.

When this government first took office, we promised the people of Ontario that we would listen. We have been doing that, and we were listening when people gave us their views on this particular matter. Accordingly, I will be introducing a motion to strike out the proposal in Bill 118 that would have transferred responsibility for setting the salary of the chair to Hydro's board. The responsibility will remain with the government.

To sum up everything I have been saying in the past few minutes, let me state simply that we believe Bill 118 is good legislation and that the changes I will be placing before you, changes resulting from dialogue and consultation with our energy partners, will make it even better. On

behalf of the government of Ontario, I urge you to give Bill 118 your full and enthusiastic support. Thank you.

**Mr McGuinty:** I think it would be appropriate at the outset to extend our thanks, and I am sure I speak for all members of the committee, to all presenters who appeared before us. As we heard from people in this city and other communities throughout the province, I was struck by the genuine concern and overall regard shown for the government's plans with respect to Hydro as contained within Bill 118.

I found it difficult to get hold of information that was, I guess I would call it, 100% reliable, and I think I would caution all members of the committee in the sense that presenters, quite understandably zealous in making a certain point, presenting a certain case, tend to present information which bolsters that case and to set aside, not bring to the fore, other information which perhaps detracts from it. Of course, our job here is to put all this together and, at the end of the day, to make findings, in essence, as to what the facts are and what the best way to proceed is.

I was also struck by the representatives of the public utility commissions, and it is good to know that there are people out there on the front lines, not housed in that building a block away from here in downtown Toronto, but people who are elected to hold public office, who are accountable directly to their local ratepayers, who have a very thorough understanding of the concerns of their ratepayers.

Certainly one of the biggest issues of the day relating to Hydro are rates and the fact that they are increasing. They would seem to be increasing at an ever more rapid rate, and it is important that we understand that whatever we do with respect to Hydro must have some element of concern shown for the effect it will have on rates. That is particularly important because hydro rates effectively constitute a regressive tax, and when rates go up, the retired pensioner will be paying more, effectively speaking, than would people who have greater wealth. If we are ever in a position where we are using Hydro to perform certain functions which are more properly those of the government, then we are penalizing that pensioner, we are penalizing that single parent, we are penalizing small business, we are penalizing everybody who has no option, of course, but to pay for hydro because it has become absolutely indispensable to our way of life.

Just to expand on that a bit further, when you pay an income tax, you are paying it as a function of your income, but when you are paying hydro, you are not paying it as a function of your income, and whether that pensioner I have made reference to is paying any income tax or not is irrelevant. If the hydro rates go up, he or she is going to be faced with an increase which he or she may not be able to withstand, and the same would apply to small business and to large industry.

Much has been said about Bill 118 in terms of how it is going to make Hydro more accountable. For the life of me, I fail to see how Bill 118 is going to make Hydro more accountable, either to me as an elected member of the Legislature or to me as a ratepayer.

The government proposes to give itself the power of issuing directives. I am not really sure how directives differ

from statements which are contained within the existing Power Corporation Act, but in any event, it is going to give the government power to issue directives. It issued, effectively speaking, a directive in the matter of Elliot Lake. That matter, which has sent out the alarm bells to the Municipal Electric Association and public utility commissioners, just for instance, was not discussed in the House, and to my knowledge, it was not even discussed in the NDP caucus. It was discussed only in cabinet, and it was certainly not discussed with ratepayers. That is symbolic of the kind of openness and accountability that is going to take place in the future when it comes to the approach taken by this government with respect to issuing directives. There is not even a requirement that a directive be made public.

I guess the other thing, of course—and I mentioned this yesterday to Mr Eliesen—is that from the ratepayers' perspective, we have been telling ourselves: "At least, thank God, if the government does something which is not in my interests as a ratepayer, my directors, those people who sit on the board, those people who are accountable to me, who owe me a fiduciary duty to look out for my interests, will be able to say, 'No, we won't do something if it's not in the interests of the corporation, the interests of ratepayers.'" Well, look what happened to Elliot Lake. The board of directors went ahead and followed the directive only after ensuring that the order in council issued by cabinet said that it would be exempt from liability. They would not be held responsible for going ahead with what they did at Elliot Lake.

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So my overriding question at the outset, and it remains the same today, is, "Who is looking out for the ratepayers?" If the government is not looking out for the ratepayers because it is tempted, for whatever reason, to use Hydro as some kind of tool to perform some kind of function that the government ought to properly be performing itself, if government is doing that and the directors are thwarted as a result of the wording contained within this legislation from looking out for my interests, then nobody is looking out for my interests as a ratepayer.

This brings us back to the issue of prices, and prices are always important, for the reason I referred to earlier, in particular because hiking up a Hydro rate can effectively be a regressive tax, and also because, as all members of this committee are very much aware, we are now living within the context of a recession. More and more people are categorizing this as a depression, and at this point in time, the people of this province and industry are extremely sensitive to any kind of an effective increase in their cost of living over which they have no control.

There is this policy of fuel switching that the bill would have us become involved with. Of course, it is an outgrowth from the energy conservation policy, and I do not think in 1992 anybody in his right mind can argue that conservation is not a good thing. That has become motherhood. It is an idea whose time is long overdue. It is a good thing. The question is, if we get into fuel switching, who is going to pay for it? Is it going to be Hydro's ratepayers? That is what the public utility commission people told us, I believe without exception. They told us that rates were

going to go up, and I find it very difficult to dismiss out of hand all their presentations, all those people who are on the front line, who are accountable to the people who elected them.

If ratepayers do not pay for it, then I guess the issue of fairness arises, and that is, "Why shouldn't the natural gas people, for instance, be making some kind of contribution to this?" We heard presentations from the natural gas utilities—very polished, very professional, articulate presentations—and of course, why would they not be? Why would they not be strongly in favour of this program which could be used to compel Ontario Hydro to use Hydro funds to send business to the natural gas people? I know, Mr Chair, that you have been reviewing the stocks recently and that you are seriously considering investing in the natural gas industry, and I would not blame you at all for that. But I think any costs associated with fuel switching ought to be, quite properly—I am kidding, of course, Mr Chair; I see the look of concern in your face.

**The Vice-Chair:** Just do not tell Judge Evans.

**Mr McGuinty:** I think in fairness to ratepayers and in recognition of the solid presentation made by the public utility commission people, who are telling us that rates are going to go up, that if we are going to go ahead with fuel switching, we had better darn well make sure we implement some kind of program which requires that those who benefit, the natural gas industry or the oil industry, participate to a very large extent in that kind of program.

I do not think it is too strong a word to use. I was shocked yesterday when the Hydro presenter, Marion Fraser, indicated that Hydro had not conducted studies in order to determine what the full economic impacts of fuel switching would be. What we have in essence here is an abstract concept, an idea which is being reduced to the concrete in Bill 118. There is no doubt that this government is going to go ahead with it; otherwise it would not put this business of fuel switching in here. Yet Hydro has not yet determined specifically what the impacts of fuel switching will be and in fact whether it is going to cause rates to go up. I find that shocking. There is no other way around it.

I think Mr Eliesen has indicated that he feels it will be a positive development to have provided Hydro with the ability to go ahead with fuel switching. But for the reasons I stated yesterday, Hydro has a record of providing us, the government and the people of Ontario, with estimates which are much less accurate. We have the experience of Darlington. We have the experience of projections that were made in the beginning of the last recession in the early 1980s. We even have the projections that were made in 1989, after five or six years of study which told us, for instance, we are going to need our first nuclear generator on stream by 2002. Then two years later Hydro tells us, lo and behold, it had not accounted for certain factors and that we do not any large generation to come on stream now until, I believe, 2014.

We have in the past as well wondered sometimes why we have to swing from one end of the pendulum to the other and whether we are kind of held hostage to that way of operation by human nature or something. There was a

point in time when we paid people through our taxes to switch off oil, and now we are going to pay them to switch back on to oil. The problems that existed at the time the federal government had its off-oil program are still in existence. There are still difficulties in ascertaining and guaranteeing prices and supply. With natural gas, apparently we are in what they call a bubble phase. There is all kinds of gas available at this time, but the American market certainly has its eyes on that. We have recently opened a pipeline to supply the northeastern United States. California and some of the western states are also looking to take advantage of that supply.

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You just wonder about the wisdom of switching people off one form of energy to another and paying them to do it, when if we look at the federal experience, we used our taxpayers' money to tell people to get off oil and on to electric heat, and now we are using Hydro rates to pay people to get off electricity for the purposes of heating and on to oil. You wonder if we would have gotten ourselves into these kinds of difficulties had we simply let the market play itself out. Certainly the gas utility people who were before us were telling us of the wonderful results they have been having in increasing the numbers of customers, just by virtue of the operation of the market. It is quite a bit cheaper to heat by gas than it is electrically.

I am going to wrap up. My colleague may have a few words to say.

**The Vice-Chair:** You have about three minutes left for your caucus. You pass? Okay, Mr Jordan, your 20 minutes is starting now.

**Mr Jordan:** Thank you, Mr Huget, for your presentation relative to Bill 118. I would like to say that my colleague who spoke previously has certainly given a general coverage of Bill 118 as it was highlighted to us as he travelled around the province. I would just like to take a few minutes to talk about Bill 118's effect on the operation of Hydro, and Hydro without Bill 118.

Something that was not mentioned by the previous speaker was the fact that when the previous government interfered and revised the Power Corporation Act for policy statements and brought Darlington to its knees for two years, they added \$6.5 billion to the Hydro ratepayers of this province. That is not talked about too much. But I am concerned that we are off on a similar track, only we are going to get more involved.

If we go with Bill 118, we are getting involved now to the point, as I understood the chairman to say yesterday—this is not a quote, but the understanding I took from him was: "I'm in place for five years. My board of directors are going to be responsible to me, but they're not going to be necessarily accountable for their actions if directed by the government to do something they don't feel is good for the ratepayer. They're going to be asked to go ahead and approve it immediately, regardless of how they feel about it." My understanding was that the government will have to take the effects of it at election time. What we are building here is just more uncertainty of policy, uncertainty of cost.

The uncertainty comes, as we are just experiencing, with the Minister of Energy. Who is going to be the Minister of Energy tomorrow? How can you possibly run a corporation the size of Ontario Hydro without some consistent direction and long-term planning? You say we are going to leave the day-to-day operations with the president of Ontario Hydro. We do not leave that with the president of Ontario Hydro; he leaves the day-to-day operations with his staff down the line. The president, in conjunction with the board and the chairman, should be coming up with long-term policy for the corporation. That is going to be taken away. That is going to be the responsibility of the Minister of Energy.

In so doing, as I said earlier, we add to the uncertainty of supply and the uncertainty of cost. These are the two things we cannot have in this province today. I do not care who we talked to across the province on our tour, they were all concerned, and not only relative to Hydro. There is such a lack of confidence out there to go ahead and develop, spend money and create jobs. It is just not happening. As we all know, it is not just layoffs, it is plant closings and some relocations.

I have to say that Bill 118 is in the interests of this government, not in the interests of Ontario Hydro and its ratepayers. We can make it look as though it is, but it is going to give this government the right to direct Ontario Hydro to fall into what this government thinks, with 38% of the vote of the people. They are going to tell the people of Ontario how they are going to use electricity, what energy they are going to use, whether it is going to be fossil fuels, but it is definitely not going to be nuclear energy. We are not going to fire boilers through the use of uranium. That is the number one objective of this government. If they did not have that, they would not really need Bill 118. The Power Corporation Act gives government all the policy space it needs to bring to the attention of the board of directors how the government feels about its method of running the corporation.

I summarized the visits across the province. Power cost was the number one issue, and certainty of supply was number two. I cannot repeat too often that the feeling out there right now is that we do not have either one. The chairman is projecting double-digit increases, up to 44% over the next two or three years. The Minister of Energy says he will not allow such a thing to happen. We do not know what the Ontario Energy Board is going to say about the issue, but what it does for you or me, planning to make a large investment and expansion of plant or a new plant, is leave us out on a limb. We just do not have the confidence to go ahead.

I can understand government from the outside looking in at Ontario Hydro and saying: "This is a monster out of control. We've got to get a hold of this thing. They just are not responsive to the people of Ontario." If you think Ontario Hydro is strictly a generator and distributor of a product, electrical energy—they are producing it and they are wholesaling it to 312 companies across the province who have elected officials for their board. They are not appointed, they are elected by the people in that community. I was pleased yesterday, when Mr MacCarthy said he

would not come in on a utility such as St Catharines or any other utility and mandate a policy of fuel switching or conservation without consultation with that utility's representatives, the ones elected by the people.

We should keep in mind when we are, if I can use the term, Hydro-bashing, that we as ratepayers have sat in our house or farm, and did not even bother going down to the rural area office to let our wishes be known. We let that district office carry on as it was doing, saying, "There's nothing I can do about it." Oh, yes, there is something you can do about it if you are not in agreement with what they are doing. The offices are all across the province. Seventy-five per cent of the customers are represented by these 312 utilities, and Ontario Hydro has the balance in direct customers and rural customers.

I would think the latitude being given to the government under Bill 118 is completely unacceptable to industry and to the utilities, even taking into consideration, Mr Huget, the amendments you have proposed. For instance, already you have loaned \$30 million to General Electric. Since when did we get into the loan business? Why are we in there? There are companies out there whose business is to lend GE \$30 million. Why Ontario Hydro? What rate of interest did we loan it at? We did not hear what rate of interest. Are we just giving them the money?

**Mr Huget:** To make the record somewhat accurate, Ontario Hydro did not lend Canadian General Electric any money. It was through the Ministry of Industry, Trade and Technology.

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**Mr Jordan:** That is not the way your document read.

**Mr Huget:** The document refers to an energy issue and the fact that Canadian General Electric received a loan from the government. It is written, and I said "the government." I did not say "Ontario Hydro."

**Mr Jordan:** I will be interested in seeing a copy of the document because I made a note to write it as you read it.

**Mr Huget:** No problem.

**Mr Jordan:** "General Electric has just received from Ontario Hydro a \$30-million repayable loan."

**Mr Huget:** This is exactly what was said: "A good example is the recent announcement that Canadian General Electric plans to start making high-efficiency lighting products in Oakville. To help make the project a reality, the government provided CGE with a \$30-million repayable loan."

**Mr Jordan:** Thank you. I stand corrected on that. So it was not from the Ontario Hydro budget. Was it an interest-free loan, or are you prepared to comment on that?

**Mr Huget:** I am not prepared to comment on that.

**Mr Jordan:** Relative to that type of issue with Bill 118 in place, is that the type of thing we could be looking at through our Ontario Hydro policy? Bill 118 leaves Ontario Hydro completely subjective to the directives of this government.

You have added four new members to the board. You are telling us that this is going to make it more open-door, more representative to the people across the province. I do not think the purpose of the board by membership is to

represent the province of Ontario. I think the purpose of the board is to have people with the qualifications on the board who understand and can contribute to policymaking and general management of the corporation and to have a manageable group.

I suggest we go back to 12 members, not adding four more and to try to sell the people of Ontario on further increased costs in that area. By saying this will be more representative to you, to me, does not wash. That is not where representation takes place as far as people go. Representation on the board should be of the different major facets of the industry that are going to be using the product, and people who understand the effects of change on those customers and on customers generally. If you added 20 more, you could not begin to have the board representative of the people of this province.

If I might go back to Ontario Hydro as it is today with the present Power Corporation Act, the main basis of the government's thrust is to pollute the air with CO<sub>2</sub> rather than have to worry about storage of the spent fuel bundles from a nuclear station. We might as well face that head on, because that is the issue here. We are going to do any damned thing we can to come up with generation, as long as it does not involve uranium to heat the water to make the steam to turn the generator.

Really, we are progressing. That industry is relatively new, not only in North America, but worldwide—the nuclear industry relative to the generation of power. We have Candu 3 coming on. You are talking about a huge plant; it is only 450 megawatts. The progress is being made and it has been agreed, I believe, by all concerned that the boiler fired by uranium is the most benign to the environment of any of the other fuels.

Your concern is based on the storage, as I said before, of the spent bundles. I personally am quite confident that in conjunction with Atomic Energy of Canada that problem is solved. Suitable storage arrangements are available. It is a matter of determining location basically. It is like any other waste management site. Everyone says, "Not in my backyard." But that is something you are going to have to face, in my opinion, at some stage as we develop in Ontario, because it is our main base supply source and it is and could be containable right within the province.

The many mistakes Ontario Hydro has made in forecasting the projected load were referred to yesterday. I do not think you should dwell on that, because your government—and we are turning control, mind you, of Ontario Hydro over to this government. That is really what we are doing. Think of the mistake this government has made through its budgetary process. Things change out there. I do not care how good the planning is and the predictions are. The demands on government and the demands for energy have changed.

You look back and say, "Ontario Hydro's planning in the past has been so much in error that we don't have any confidence in its planning for the future so we're going to take it over, we're going to do the planning." If you are going to do the planning, where is your research department? Where is your environmental department? What staff has

the Ministry of Energy got that can duplicate the staff the ratepayers have paid for and set up in Ontario Hydro?

That staff Ontario Hydro has has been rated second to none, and for us to be sitting here assuming that the Minister of Energy and his staff can override that and come up with better ways of supplying the people of Ontario is very difficult to accept.

For instance, the 25-year demand-supply plan, five years in the making: Ontario Hydro, in response to the people, took this plan right across the province. They came to our little municipalities in eastern Ontario. They came to county councils. They met in the township halls. They brought the people out. They had visual aids; they showed us what they were doing. They were making the best use of all the fuels available. That was the research that was done then.

What we have done now with this government is just picked the centre out of it, the base load supply, the nuclear supply, and then tried to replace it with gas-fired fuel switching and so on in order to meet the demand. Yesterday Ms Fraser informed us that they do not have a study yet to know how successful fuel switching will be. They do not have a study to know what cost there will be to fuel switching, because it is impossible, she said, to start until Bill 118 has received royal consent. Yet the update here, this thing depends entirely on Bill 118 receiving royal assent.

What we are doing is bringing more uncertainty of costs and uncertainty of supply into this depressed—and I am not concerned about using the word "depressed"—province of Ontario. This economy is in such a condition at the present time that anything that adds one cent to the cost of energy is not acceptable. I feel this is the time Ontario Hydro should be tightening its belt and stabilizing the rates, and if they are going to move in any direction, reduce them to try and get industry back on track, to try to instil confidence in the manufacturers of Ontario and in the municipal utilities of Ontario.

As was mentioned by the previous speaker, the gas companies—I was really taken back by the presentation in Guelph, I believe. Was it Union Gas that came there? They had a very glossy—not even recyclable paper—annual report there, and they came very professionally and tried to express their interest in Ontario Hydro, their interest in saving the poor utility when it is in the corner, and they are going to help it in all these different ways. Do you not think the interest of the gas companies generally in this new bill was quite clear?

**The Vice-Chair:** Mr Jordan, I warn you that you only have about 30 seconds left to wrap up.

**Mr Jordan:** I am sorry. I thought I was leaving some time for Ted here.

**The Vice-Chair:** No, you have eaten it all up.

**Mr Jordan:** I am sorry. I just want to summarize then, Mr Chairman, after listening to the chairman yesterday and his explanation of the operation of the board, and his vice-president of energy conservation, I believe, Mr McCarthy anyhow, who was with him, and Marion Fraser and Mr Horton. These gentlemen certainly presented themselves as a group who can and could manage Ontario Hydro and I

really do not believe they need Bill 118 and the interference from government.

I know one thing. If I was the Minister of Energy, I would feel damned uncomfortable with people running this thing, and then when the thing goes wrong they say: "It's your fault. You issued the directives. We only work here. Whether I am here for two years or three years, I'm going to get paid for five, and my board of directors is not accountable for its actions."

That is my concern. I would like you to reconsider the bill, Mr Huget, and the need of it. Ask yourself: Can we not implement the policies we want relative to conservation and new generation under the present Power Corporation Act? Thank you very much.

**The Vice-Chair:** In 10 seconds then? That is it.

**Mr Arnott:** I have nothing really to add to Mr Jordan's comments except to congratulate and commend him on his comments and his presentation. I think we in the Legislature are very fortunate to have in our midst someone who understands the very technical nature of these issues, one of the few members who does. We are very fortunate to have him in our caucus and I want to thank him and commend him once again on his fine presentation.

**The Vice-Chair:** Thank you, Mr Jordan and Mr Arnott, for your presentation. The committee will now stand in recess until 2 o'clock, but I would ask that the subcommittee come in at 1:45 for a subcommittee meeting to resolve a couple of outstanding issues.

The committee recessed at 1134.

## AFTERNOON SITTING

The committee resumed at 1435.

**The Vice-Chair:** I will call the meeting to order. There has been a further amendment put forward by a government motion. I am informed by the clerk that this should go into the package as page 4. Everybody has their package now so we will proceed.

We will deal with section 1 of the bill. I believe Mr McGuinty has something he wishes to say at this time.

**Mr McGuinty:** Before actually moving the motion I want to address this amendment. What I am trying to do here is go to the heart of what Ontario Hydro is all about. The amendment would have the definition of "energy conservation program" changed so that it is restricted to a program to conserve electrical energy in essence. It also deals with conserving heat energy, but essentially to conserve electrical energy. As it stands right now, technically under the terms of the Power Corporation Act Hydro could become involved in conserving the amount of propane a car uses or gasoline or oil or anything of that nature dealing with any other kind of energy source. It is my contention that Hydro's job should be in relation to electricity and it should be to conserve electrical energy. It should not be in the business of conserving any other kinds of energy.

It is in the Ministry of Energy's interest of course to promote conservation generally. It can do that through its various arms and through consultation and cooperation with the various energy producers and suppliers. But I do not think it should be using Ontario Hydro to perform that kind of work.

**Mr Arnott:** I think this—shall we call it a proposed amendment—amendment under discussion is certainly in line with my thinking. I think it makes sense to proceed on the basis that Hydro should be in the business of conserving electric energy and not energy in general. Do you have anything to add, Mr Jordan?

**Mr Jordan:** Referring to "energy conservation program" in the present act, it means an energy conservation program under clause 56(a) of the present act? Is that what we are talking about here?

**The Vice-Chair:** We are talking about the proposed amendment, section 0.1 of the bill, subsection 1(1) of the act, the very first yellow page.

**Mr Jordan:** Yes. I am a bit confused in that subsection 1(1) of the present Power Corporation Act—

**Mr McGuinty:** I think Mr Jordan is referring to an older edition of the act. The clerk kindly provided me with this updated version.

**Mr Jordan:** Is this not the last one?

**Mr McGuinty:** No.

**Mr Jordan:** I am sorry.

**The Vice-Chair:** Mr Huget, do you have any comments to make about this proposed amendment?

**Mr Huget:** Yes. The motion here really narrows the definition of "energy conservation program" and restricts "programs" to mean electrical energy and heat energy. The

purpose of section 4 of the bill is to widen the definition of "conservation programs" and to include fuel switching, a key element of the government and Hydro's energy efficiency strategy. As well, the bill does not deal with definitions in section 1 of the act.

**Mr McGuinty:** May I move the motion now?

**The Vice-Chair:** I am afraid I will have to rule your motion out of order, but we have to let you read it in.

1440

**Mr McGuinty:** I move that the bill be amended by adding the following section:

0.1. The definition of "energy conservation program" in subsection 1(1) of the Power Corporation Act is repealed and the following substituted:

"'energy conservation program' means a program to conserve electrical energy or to conserve heat energy produced in accordance with section 67."

**The Vice-Chair:** I have to rule that it is beyond the scope of the bill and therefore out of order.

Section 1:

**The Vice-Chair:** Now we will move on to section 1 of the bill. Is there any debate or amendments arising out of section 1 of the bill?

Mr Jordan or Mr Arnott, I believe you have something.

**Mr Jordan:** Can we move the motion now?

**The Vice-Chair:** Yes.

**Mr Jordan:** I would like to move a motion relative to subsection 1(1) of the bill, subsection 3(1) of the act.

**The Vice-Chair:** Mr Jordan moves that subsection 3(1) of the act, as set out in subsection 1(1) of the bill, be amended by striking out "eighteen" in the fourth line and substituting "twelve."

As we have done in past times and we will do through this, we will allow you now to explain your rationale for that. Then we will enter into discussion, after which we will make the decision.

**Mr Jordan:** I think I would just like to say a few words to the motion, in that I realize presently there are 14, but I am looking at the establishment of a board that is going to be meaningful and workable as being relative to managing and directing the corporation.

I do not think it possible, by increasing the numbers on the board, to be able to sit back and say, "We've made it more open and more representative of the people of Ontario," because that is not really the function of the board itself, to be representative. The function of the board, in my opinion, is to represent the ratepayers of the corporation in making policy and decisions in their best interests. Therefore, the concentration should be on the qualifications of the person to be able to provide a managing policy direction function, rather than be representative of a particular group.

**Mr Farnan:** I think the intent of Mr Jordan is very admirable. I think you have to have good people on the board, and of course that is the purpose of the government,

to have the best possible people on our boards across all the various agencies. That of course is why the government put in place a process which allows for all-party scrutiny and very extensive input.

But I do believe also, in terms of looking at a magic number—the argument you take that 12 is right, 10 is better, eight is even better, 14 and 20 are getting too far and so forth—that does not make sense at all. I think you can have effective boards in various degrees, but the reality of the matter is that new people are being added to the board. I think if you look at the people who are added to the board, they are very fine individuals who can contribute. If you have a problem with the types of individuals who have been added, maybe this would be an opportunity to say, “This individual isn’t qualified.” I think the people who have been appointed are outstanding individuals who can make a contribution.

**Mr McGuinty:** What we are talking about here is of course the board of directors for Ontario Hydro. Hydro is a corporation pretty well unlike any others in many regards. It has some 35,000 employees, it has a debt, I believe, of some \$30 billion, last year’s annual revenues were over \$7 billion, it deals with arguably some of the most sophisticated technology on the planet today, so I do not think we should get hung up on the business of numbers so much as we should get hung up on the business of qualification.

There is a certain kind of thinking going around today which says it is important that we have representation from all walks of life, all groups, in order to ensure that some kind of agency, some kind of corporate body, is going to run effectively, and ensure that these different groups are represented. That has a tremendous amount of merit to it but it has its limitations, and I do not think it is the kind of thing that can be applied to Ontario Hydro.

I will tell you a little story, Mr Chair. Before I began to practise criminal law, I was articling with a lawyer who sent me down to the holding cells to speak with a potential client who wanted to retain him, and he was francophone. My principal said, “Go down”—because I could speak French—and tell this fellow that I would be pleased to represent him, but I do not think I can represent him properly because I do not speak French.” I went down to see the gentleman in the holding cell and I told him this, and he said to me—I will never forget this—he said, “I don’t want a francophone lawyer, I don’t want an anglophone lawyer, I don’t want a male lawyer, I don’t want a female lawyer, I just want a good lawyer, and I think that your boss is a good lawyer.”

Now, that has limited application as well, but I think there is some grain of truth in it. We have to be concerned about making sure we put the best possible people on this board, and we should not get into a game of dealing with the numbers of people. If more is better, then why are we limiting it to 18? Would not 24 give us a greater cross-section?

**Mr Klopp:** Thank you for agreeing with our colleague.

**Mr McGuinty:** I am quite content to leave it as it is. I do not see any reason to broaden it. That general line of thinking today—we can get carried away with these kinds

of things, the way that we do by saying that we have got to have a complete cross-section of representation on any kind of public body or agency. Well, it has its limitations, as I said, and I do not think, when it comes to Ontario Hydro, because of its special circumstances, that we should get hung up on that kind of thing, but rather we should put the best people on there rather than trying to put more people on there.

**Mr Arnott:** I would like to speak in support of this amendment. I certainly agree with my colleague Mr Jordan’s statement to restrict the number of board members from 18 to 12. I think, for a number of reasons, it is self-evident. Just from my experience in working with groups, the larger the group becomes, after a certain point you lose a certain amount of the dynamism of the group and it is very, very difficult to function as an effective decision-making body. In my experience, that has been borne out to be true.

If you follow the line of thinking that has been suggested by the government, you would assume that 60 or 70 board members would be better, or 100 or 200 board members; the more the better. That just does not make sense in my mind, I cannot see that as being an effective line of reasoning at all. I think that in the past, when the Ontario Hydro board was composed of 12 members, it did function very effectively as a decision-making body, and that is one of the reasons why I would support this amendment.

The member for Cambridge talked about the issue of the all-party scrutiny of memberships. I have not seen the government’s appointments and I would not dispute that they are fine people—I am sure that they are. I would not dispute that they are not qualified. But I think it is very, very important that qualification be the number one reason why someone is appointed to the board, not their membership in a particular group.

I think I understand why you are putting that view forward, but, as I say, I think qualification should be number one. First and foremost, qualification and background in the Hydro issues—all of those things are very, very important. If you start saying that we are going to reserve a particular position on the board with a number of groups, you run into problems and you expand the number beyond infinity, I suppose. So I have great concern about that philosophy.

1450

**Mr Farnan:** I think it is important, Mr Chairman, to reaffirm that the government’s position is that the best people qualified for the job are appointed. And of course when we look for the best people, we look right across the board—we do not exclude people because they happen to be from a particular minority group. I think that is probably the fairest, and I think that is something you could support then.

**The Vice-Chair:** Thank you for your words of wisdom, Mr Farnan. The next time I would appreciate—

**Mr Farnan:** My apologies.

**Mr Brown:** I do not think this amendment is about qualifications. It is about number, it is about how many will be there, it is not about who will be there. So I find the discussion of that not to be particularly important, except it seems obvious that we want the brightest and the best and the most informed on the board.

I do have a little bit of difficulty with the amendment, with the government's proposal I guess, especially for the 18. I think we as members have to be cognizant of the fact that Ontarians, the people we serve, are very interested in the size of government. They are interested in whether government is expanding, whether there are more people at the so-called public trough, and whether that is being essentially useful to the public interest that they are trying to serve.

I do not really know why 18 is better than 14, or 12 is better than 14, or 14 is better than 12. But I would suggest to you that the government is sending a very bad signal to the province of Ontario by coming to power and immediately trying to increase the size of the board for no good reason that I have heard. I think the present number is 14. I am not sure that is right, but I do not know if there is any number that is better.

It seems to me that a government that wishes to expand the number of the board should have a very good reason. I think that within 14 you can get representatives of all areas of the community. I do not think 18 helps that tremendously. I am just concerned that I have not heard any good reason to expand this board and yet we are, and that is a signal I think Ontarians are not going to be terribly happy with.

The second point is, I think that this new government—this open, responsible government—does not want to appear as Franklin Delano Roosevelt did back in the 1930s, when he had a Supreme Court that would not do what he wanted to have done, and so Mr Roosevelt's suggestion at that time was, "We'll just appoint more justices to the Supreme Court and we'll get whatever we want." He could not get that through the state legislatures, which had to ratify the change to the Constitution, and so it did not happen. But I would suggest to you that by expanding this board the government is giving at least the public perception that what it wants to do is pack the board. I do not think that is the signal the government is trying to send, but I will tell you that in many quarters that is how it is perceived.

I cannot support Mr Jordan's amendment and I cannot support the government's intent here. I think that we should stay at the 14 that are presently in the act. I think they can do the job and can serve this province well.

**Mr Huget:** Mr Jordan's motion is a reduction in the existing 14-member board, and I do not feel that it would be consistent with the public's desire for increased representation on Hydro. I think that quite clearly we have heard that the public wants increased representation. Certainly the government is committed to having increased representation from various sectors of Ontario. The wording that says "may appoint up to 18 members of the board" of course does not legislate 18 members but provides us with the flexibility of having between 14 and 18 members to get a wider range of all those interest groups in Ontario to serve on the board. So I cannot support Mr Jordan's motion either.

**Mr Cleary:** In our travels I had never heard anyone or any delegation say that we should increase the size of the board except the occasional special interest group which

wanted a position on it. I think that is wrong. We are now in the 1990s and most companies and other businesses are restructuring and downsizing; this government is going in the opposite direction.

**Mr McGuinty:** My colleague Mr Brown made reference to Franklin Delano Roosevelt's legacy with respect to Supreme Court appointments. We do not have to go that far back of course; we can just look to the recent events at Parliament Hill and the appointment of senators by our current Prime Minister to find out how ripe this kind of thing is for abuse and certainly if not the intention to abuse, the perception is there. The government of course has to be, and I am sure it is, concerned about that.

Just to confirm something my colleague Mr Cleary said, it seemed to me that those groups which were in favour of expanding the size of the board were those which wanted to have one of their members sit on it, putting themselves in a blatant position of conflict.

The other thing we should keep in mind is that we are the MPPs. We are the generalists and we sit in the Legislature. As a ratepayer, I do not want a generalist on Hydro's board of directors; I would like an environmentalist there, but I do not consider that person to be a generalist. Hydro is the largest construction company in Canada, possibly in North America. It runs nuclear plants; it has 36,000 employees. I want people with expertise to get in there and deal with some of the very difficult challenges the corporation has to deal with in these times.

I am just hearkening back to what I said earlier, that numbers provide us with no assurance whatsoever that we are going to have greater efficiency. In fact it runs counter to all the current thinking which is towards downsizing and improved efficiency in government and agencies' operations. The focus should not be numbers but rather qualifications. Contrary to what my colleague Mr Farnan said, I do not believe that we have in place right now a government appointments process that is going to ensure that we put the best people on this board.

**Mr Brown:** I have a question for the parliamentary assistant. I was wondering if the ministry has any information that would show us that an expanded board is empirically better. Do we have some studies of other major corporations that have expanded their board and thereby improved their performance?

1500

**Mr Jennings:** I am Rick Jennings, acting manager, policy coordination section, Ministry of Energy.

In terms of this provision of the act, there was not any detailed view of what size boards were effective or more effective or any kind of comparison done. The thinking, as Mr Huget has said, was that the idea was to expand the representation on the board to represent more public interests. I am not aware of any empirical data. I am not aware of any studies of that sort.

**Mr Brown:** I am a little puzzled by that response. How did we decide on 18? Why was it not 16? Why was it not 20? Could we have an explanation of how the number was chosen?

**Mr Jennings:** The existing number was 14 and the decision was made to increase the number. The number that was chosen was 18, not including the chair, vice-chair and the deputy minister. It was consistent with expanding the size so they would be able to add a wider representation from the public. There is no magic to the number as was stated here; it could have been 19, 17 or 20.

**Mr Brown:** So we just spun the wheel, so to speak.

**Mr Jennings:** The 14 or 12 was not an empirical number either.

**Mr Brown:** I know.

**Mr Jennings:** When it was established as 12, it was just a number that was chosen as well.

**Mr Jordan:** When we are speaking of the numbers on this board, is the information available to us? How many are on the board presently? How many have been appointed? It says "up to 18." Are we there now? Is the board full or do you know?

**Mr Jennings:** It would not be 18 unless this section of the bill was passed. The current number is 14.

**Mr Jordan:** You are still at 14?

**Mr Jennings:** Yes.

**Mr Jordan:** But there have been some new members?

**Mr Jennings:** Yes, to replace members whose terms have expired.

**Mr Jordan:** The thing that was concerning me was I got some reports in my riding of members who did not any longer wish to serve on the board; if Bill 118 was to become law, they were not going to be comfortable on the board. I would just like to make that known to this committee. They were very upset when speaking to me because their ability to assess policy was not going to be given its full weight, if I may use that term, because they were not going to be accountable for their actions; if they were not seeing a directive from the government as being something that would be better for the ratepayer, they were to implement it immediately and not worry about the consequences because they would not be accountable.

These people had taken their jobs as board members very seriously, and on that basis they indicated to me that they were not comfortable on the board. In fact in my office I have a letter, which I did not bring, from an ex-board members who would like to meet with me to discuss it further. I throw that in because there is that concern out there. It is not my personal concern.

**Mr Klopp:** On this issue of credibility stuff, being taken seriously, I am sure this person was, but a \$30-billion debt of a company, all the eggs in one basket—we have heard a number of people from all sides who are concerned that Ontario Hydro has not made good decisions, so I question whether the board of directors before was doing such a good job. I have no problem saying I do not support your motion on what you are amending here, this whole argument that the board was so well qualified. I think the actions of Ontario Hydro for the last 10 years have proven somewhat the opposite.

**Mr Brown:** I was just wondering what additional, total expense to Ontario Hydro would be represented by the four additional directors.

**Mr Ciemiega:** They are paid a per diem, but I believe it is under \$200 a day. I am not sure.

**Mr Brown:** I am not interested in the per diem; what I am interested in is the total expense.

**Mr Jennings:** There is one board meeting a month, on average. If the per diem is around \$200, that would give you an idea on an annual basis. It would not be very high.

**Mr Brown:** They would obviously also be paid expenses which would be appropriate?

**Mr Jennings:** Yes.

**Mr Brown:** So that is about \$1,000 a month?

**Mr Jennings:** Yes, approximately.

**Mr Farnan:** Mr Brown makes a good point. It is always interesting to look at the expense, but if for example this meant that northern Ontario had more representation on the board or eastern Ontario had a stronger voice on the board, that is something all members of the House would support, and obviously I think we can all support it.

**Mr McGuinty:** In light of Mr Jennings's frank response that really there were no impact studies that went into a determination of 18, just as there were apparently none with respect to setting the number at 14, I think what we are doing is operating in the dark here. It is very obvious to me that this is just purely political in terms of broadening. There is no reliable, concrete evidence which would lead us to believe that by increasing the size of the board from 14 to 18 we are going to address the three biggest problems at Hydro: too many people, salaries too big and too many large projects, the history of large projects in the past that has come to haunt us.

There is no evidence whatsoever that expanding from 14 to 18 is going to improve it. Certainly that is the issue. If we are going to change it, let's change it so that it helps. There is no evidence that it is going to help. If there is no evidence before us it is going to help, that means we are just doing it for political reasons. Let's get on with it.

**Mr Huget:** I guess in light of Mr McGuinty's comments, perhaps he could explain to me the empirical studies that were done when his government in 1989 increased the board size from 12 to 14. To suggest that we are spinning a wheel must have meant that the previous government spun a wheel in 1989 and said 14 is all right but 12 is not all right. There is certainly no reference to the increased costs, there is no reference about that increase from 12 to 14 other than being purely political. That may have been the case in 1989 when it was indeed purely political; however, today that is not the case. We are increasing the size of the board for reasons that make sense to the people of Ontario.

**Mr Brown:** I was one of the people who had the good fortune to be reviewing the amendments to the Power Corporation Act in 1989. I do not recall this conversation taking place at that time, at least in terms of anyone, particularly a New Democrat, objecting. Maybe some of Mr Arnott's or Mr Jordan's friends objected to the 14, but certainly no New Democrats did back at that time. They

seemed to think that was an appropriate number. As a matter of fact, the present acting Minister of Energy was there, and I do not believe that he had any objections to the 14, and I do not think he had any suggestions for 18 at that time.

**Mr Klopp:** Sure he did; he said if he ever got in that would be the first thing he would do.

**Mr Brown:** That is not what he said. I am just not convinced, as Mr Farnan might indicate, that more northern representation might be accomplished. I think we have to ask at what cost. Could it not be accommodated within the 14, within a redistribution of how the appointments occur within the 14? Those things can all occur. I think very strongly that we are sending the wrong message, that we think we need more people at the top rather than fewer or at least the same.

I do not really know what more I can say. You have no empirical data showing this is going to be any better, you cannot show us that any groups are going to be represented that could not be under the 14, and you have not told us why.

1510

**Mr Farnan:** I think we have to put this in the broader context of what we listened to yesterday, the board coming before us with a plan of streamlining and fiscal responsibility. That is the broad backdrop.

On a more cynical note, I think it was John F. Kennedy who said, "A committee is a group of 12 that does the work of one." I mean, you can take your argument and say, "Let's have no board."

I think what we have is a board, and I would think boards over the years have done an excellent job of public service. But this government does have a commitment to representation that does indeed reflect the province, and indeed we talk about the best people and bringing forward people to make a contribution from their talents and their skills. We have a situation, for example, if you want to look at housing authorities, where there were no tenants involved. I do not believe that you have to be the absolute expert to sit on a board. I think consumers can sit on a board, for example, and play a very significant role. They bring common sense, they bring good judgement, and I think if there are consumer groups that need representation on boards like this, the government is wise to allow that kind of representation to come forward and to have input in the deliberations of Hydro.

I think we could go on with this discussion all afternoon, because there is obviously a difference of opinion, but I think it is rather trivial in the light of the overall efficiencies that were clearly mapped out to us yesterday by the chairman.

**Mr Cleary:** This government at the present time is encouraging municipalities to restructure in the county system, to downsize the number of board members there are. We are promoting that. They did lots of studies on it and they feel it is more efficient and you could get better service under Municipal Affairs.

**Mr Klopp:** Mr Chairman, on a point of order: That is out of order.

**Mr Cleary:** Just wait a minute.

**Mr Klopp:** For the record, that is totally out of order. Dave Cooke has never told any municipality it has to get regional government.

**Mr Brown:** That is not a point of order, Mr Chair.

**The Vice-Chair:** No, that is not a point of order. Thank you for your pearls of wisdom.

**Mr Cleary:** I have the floor here, sir, I would like you to know.

**Mr Brown:** He can put up his hand like anybody else.

**Mr Klopp:** I apologize. It is not out of order.

**Mr Cleary:** I guess what I have to say is that I was surprised at Mr Huget's last statement. I just wanted that on the record. The other thing I have to say here is that when we hear an extra four board members might only cost \$1,000 a month more, I find that very difficult to believe too, just for the record.

**Ms Murdock:** I just wanted to add another point here. As has been stated eloquently by everyone, we could argue the numbers game for hours on end and I do not imagine we would come up with any number that was particularly acceptable to anyone.

Having said that, I unfortunately was only able to be at the hearings for two days out of the three weeks we went on, and in that time part of the concerns I heard were not only in relation to representation, and in terms of qualifications as well, but also in terms of the government involvement that is being proposed in this bill. So I think that this section cannot be looked at in isolation to the other proposals and that everyone should be thinking of how this is going to apply, and that if there is more government involvement, whatever the decision of this committee may be, we will then have more people in general and, as my friend Mr Farnan has stated, the general consumer will be represented. I think it is important.

**Mr Brown:** I was interested in what I am hearing. Ms Murdock has just told us that there is going to be greater government involvement under this bill, and I guess that is probably true. So we have greater government involvement, which is greater policy direction from the government, which means probably Ontario Hydro is going to be run out of the corner office, and make no mistake. If we have Ontario Hydro being run out of the corner office, now we need more board members to sit there. The logic of that is just beyond me.

That aside, from the government members I am hearing it has been expanded to allow more broadly based representation within the board. Could you tell me if you have targets? Do we have so many environmentalists, so many of each group, so many consumers? What are the qualifications? How are you breaking down this 18? You have just told me it is more broadly based. When we go after these appointments, how are you going to target those into the slots to make sure we do not end up with 18 of one particular group? Are we going to have so many of each? How does that work?

**The Vice-Chair:** That is a question?

**Mr Brown:** Yes.

**The Vice-Chair:** Okay.

**Mr Huget:** That light is flashing on both sides. You do not know who to talk to, so I will talk to this mike.

There are no targets, there are no target groups, there are no specifics around who can or cannot. The intention is to increase the number and provide the flexibility to ensure that the broad interests of Ontario are represented on the board, and that may include a different structure than is there now. There may be interests that are out of the process now that should be in the process, but clearly there is no target group of individuals and no target numbers of interests.

**Mr McGuinty:** I wanted to note a couple of things. First of all, as I can recall, the Consumers' Association of Canada, the Ontario section, which made a presentation before us, indicated in its brief that unless there was a reason, some kind of evidence to make the change, they as representative consumers were very leery of increasing numbers for the sake of having a larger number of people on there, and I think they are a very credible authority in terms of telling us the concerns of your average consumer.

Second, Mr Brown makes a good point as to the reality of this Bill 118, and that is that when we are increasing from 14 to 18, all we are really doing is increasing the size of the number of people who are going to have to do as they are told when it comes to policy directives. Bill 118 contains a provision which exempts directors from liability as long as they do as they are told. That is still in there. They are going to have to ensure the policy directives are implemented promptly and efficiently.

Maybe the real question here is, do we any longer need a board of directors? Maybe it would facilitate the government's aims if we were to simply remove the board of directors, rather than to simply supplement the existing number of directors there who are going to have to abide by instructions which are delivered to it and under shelter of that wonderful provision contained within Bill 118 which absolves directors from liability as long as they do as they are told.

**The Vice-Chair:** I am going to ask once again, I guess, any further discussion?

**Mr Farnan:** I just wanted to clearly understand that the position of the Liberal party is that it would do away with the board of directors of Ontario Hydro. Is that what I understand?

**Mr McGuinty:** No, that was just a rhetorical question, Mr Farnan.

**Mr Farnan:** Okay. I am glad to see that you have withdrawn from the brink and come back to sanity. We welcome you back aboard.

**Mr McGuinty:** It is just the Irish in me, Mr Farnan.

**The Vice-Chair:** Thank you, Mr Farnan, Mr McGuinty. Thank you both. Seeing no one wishing to enter into further discussion, I would like to put the question on this motion. All those in favour of the motion? All opposed?

Motion negatived.

1520

**The Vice-Chair:** We will move on to the next one we have, which I believe once again—

**Mr Brown:** Mr Chair, just on a question of procedure, are we going through subsection by subsection or are we dealing with the entire section at once?

**The Vice-Chair:** Oh, okay. It was my error.

**Mr Brown:** No. It can be done either way.

**The Vice-Chair:** We will deal with it as we go. I would therefore ask, all those in favour of subsection 1(1) as—

Interjections.

**The Vice-Chair:** Wait a minute. I am doing something here. What did I do?

Interjection.

**The Vice-Chair:** Maybe we should get some sort of consensus from the committee. I am at your pleasure. If you wish to deal with each one individually, fine. If you wish to deal with them collectively at the end of subsection (1) or (2) or (3), that is fine.

**Mr Brown:** It is totally procedural and I do not really feel strongly one way or another about it; I just think that occasionally it is better to deal with each subsection as we go through, unless there are no amendments in that section. It sometimes gets confusing to the committee members as we go through with amendments to various sections, just in terms of procedure and everybody knowing where they are at. If other members want to deal with it otherwise, that is fine. I just wanted to know how we were doing it.

**The Vice-Chair:** I am at the pleasure of the committee members on this, because I have no preference.

**Ms S. Murdock:** Is the suggestion that we, for instance, as an example, do all the amendments in section 1 before we vote on it? Is that the recommendation? That would be very confusing, I would think, with different amendments coming from all three parties. I would imagine that if you did not remember at the end of the section you were dealing with which way the debate had gone, it would be quite confusing.

**Mr Farnan:** Would it not be section 1, as amended? No?

**Ms S. Murdock:** Not yet.

**Mr Farnan:** No, but I mean, if we dealt with all the various amendments in section 1, get that out of the way, and then pass section 1, as amended?

**Ms S. Murdock:** Yes.

**Mr Farnan:** Then take section 2 and so forth.

**Mr Brown:** To be clear, Mr Farnan, and I do not think it is too different, all I was suggesting is that we could deal with subsection 1(1), pass it, then move to (2), and then we can carry the whole section once we are finished. It is just, I find, an easier way for us to deal with the bill and everybody knows where they are.

**The Vice-Chair:** I think that after having a quick discussion with the clerk and looking at it from a different light, my preference would be to deal with each one, in this case with 1(1), close it off and move on to the next. I would prefer that. Okay? Then it is closed and we are on to the next. So that is what I was at. I was calling all of those in favour of subsection 1(1), as amended—no. All those in favour of subsection 1(1), please signify.

**Mr Ciemiega:** As it stands.

**The Vice-Chair:** Yes, as it stands in the bill.

**Mr Brown:** Mr Chair, before we do that, could we not have an opportunity to speak to that clause?

Interjections.

**Mr Brown:** No, we were debating the amendment.

**The Vice-Chair:** This is getting even more confusing. Okay.

**Mr Arnott:** Is it not the parliamentary assistant's responsibility to move the—

**Mr Brown:** Only the amendments.

**The Vice-Chair:** Okay. We are open now for discussion on subsection 1(1) of the bill. Mr Brown.

**Mr Brown:** I will be very brief. For the reasons we just outlined when we were discussing the amendment, it is our position that we cannot support this portion of the bill.

**The Vice-Chair:** Okay. Any further discussion? Mr Arnott.

**Mr Arnott:** Mr Chairman, as we indicated in our motion, we still believe the board should be composed of 12 members, so we will not be supporting this part of the bill.

**The Vice-Chair:** Thank you, Mr Arnott. Any further discussion? Seeing none, all those in favour of subsection 1(1) of the bill please signify.

**Mr Brown:** Can we have a recorded vote?

**The Vice-Chair:** A recorded vote? Okay.

The committee divided on subsection 1(1), which was agreed to on the following vote:

**Ayes—6**

Coppen, Farnan, Huget, Jamison, Klopp, Murdock, S.

**Nays—5**

Arnott, Brown, Cleary, Jordan, McGuinty.

**The Vice-Chair:** On to the next amendment. We are going to subsection 1(2) of the bill. Mr Arnott.

**Mr Arnott:** You ruled that one out of order.

**Mr Brown:** Is there not a government amendment?

**Clerk of the Committee:** There is a new numbering system in legislative counsel, so the government amendment is to subsection 1(2.1), so that will be a new subsection in the bill. That will come after subsection 1(2).

**Ms S. Murdock:** So it is subsection 3(2.1).

**Clerk of the Committee:** No. We are still on section 1 of the bill. Subsection 1(2.1) will be the government amendment.

**Ms S. Murdock:** Yes. I understand that.

**The Vice-Chair:** Shall subsection 1(2) of the bill carry, and then we move on to the other one. Mr Brown.

**Mr Brown:** Mr Chairman, it would be helpful as we went through if the parliamentary assistant could give us a brief explanation of the purpose of each clause. I am sorry, but "subsection 3(3) of the act is repealed" does not tell me a whole lot. If we could just have an explanation of what that is as we go through, it would be helpful.

**Mr Ciemiega:** Mr Chairman, may I give an explanation?

**The Vice-Chair:** Yes.

**Mr Ciemiega:** My name is Ed Ciemiega. I am the director of legal services with the Ministry of Energy. The current subsection states, "The chair shall carry out the duties that are assigned to the chair by the board." If the chairman is to be the chief executive officer, then you do not want the board telling the chairman what to do, per se.

**The Vice-Chair:** Does that answer your questions, Mr Brown?

**Mr Brown:** Yes.

1530

**The Vice-Chair:** Is there any further discussion on subsection 1(2) of the bill? Hearing none, all those in favour of subsection 1(2) of the bill please signify. Opposed? Passed.

We will move on now to subsection 1(2.1).

Mr Huget moves that section 1 of the bill be amended by adding the following subsection:

"(2.1) Subsection 3(4) of the act is amended by striking out 'the chair and the president' in the first and second lines and substituting 'the chair, the president and the deputy minister.'"

Explanation, Mr Huget, and then we will get into debate.

**Mr Huget:** Subsection 3(1) makes the deputy minister a member of the board ex officio. Therefore, there is no need to have him appointed by order in council.

**The Vice-Chair:** Thank you, Mr Huget. Discussion?

**Mr McGuinty:** I am a bit confused by that explanation. What we are doing is adding the words "and the deputy minister" to the existing subsection 3(4), is that correct?

**Mr Ciemiega:** That is correct. You have passed an amendment to the act which in effect states that the deputy minister is to be a member of the board of directors. The deputy minister is appointed by order in council. This act in effect says, because of this amendment, that by virtue of his office he will now be on the board of directors, so there really is no need to have another order in council. All this does is take away the necessity for that second order in council. He is there by virtue of the fact that he is deputy minister and for no other reason.

**Mr McGuinty:** The job goes along with the office.

**Mr Ciemiega:** That is right.

**The Vice-Chair:** Is there any further discussion? Seeing no further discussion, shall the amendment carry? All those in favour of the amendment? Opposed? Carried.

Motion agreed to.

**The Vice-Chair:** There is a Progressive Conservative motion. There is an error in the typing of it. It should be 1(2.2).

Mr Arnott moves that subsection 1(2.2) of the bill, subsection 3(4.1) of the act, be amended by adding the following subsection:

"(2.1) Section 3 of the act is amended by adding the following subsection:

"Persons nominated by Municipal Electric Association

"(4.1) Three of the directors appointed by the Lieutenant Governor in Council shall be appointed from persons nominated by the Municipal Electric Association."

I would ask now for explanation of your motion and then we will get into debate.

**Mr Arnott:** Quite simply, we in our party feel that the Municipal Electric Association has a great deal of expertise in this area. The government has indicated in response to our earlier motion that there should be places preserved on the board for certain groups. They have been quite clear in that respect. Obviously they feel quite strongly that certain groups merit special places on the board, and they have made that quite clear.

We think the Municipal Electric Association merits that sort of place on the board if the government is going to indicate that there are places reserved for certain groups. When you look at the issue of ownership of the corporation you find it is the public utilities that own much of the stock in Ontario Hydro. Their interests are represented through the Municipal Electric Association and we feel very strongly that three of those places on the board, at minimum, should be reserved for nominees by that association.

It is my understanding that in the past, by convention I guess, two positions have been made available to the Municipal Electric Association on the board. We feel that three would be better, following the government's line of reasoning, and that those positions should be put in the act as a means of ensuring that those positions will be there.

**Mr Klopp:** I have to disagree with the motion because a few minutes ago the argument seemed to have been around the 12 to 18, that we were going to set up special sections for everybody and there are more than 18 groups in Ontario. Now you are saying we want to specialize this group in stone, only this group. The parliamentary assistant made it clear that we do not want to do that. In fact, as was pointed out by you, there has always been a kind of unofficial status that they have been eligible for, and that has not changed and will not change. Therefore, I do not want to just all of a sudden single out one group for a lot of the arguments that you told me a few minutes ago.

**Mr McGuinty:** I am going to speak in favour of this motion for a couple of reasons. The arguments that were made in connection with the earlier discussion relating to the number of members who sit on the board are not particularly relevant here. First, we are not changing the overall number; we are changing a particular number within the set number of directors, which is now going to be 18.

Second, the reason we should increase the number of the members who represent the Municipal Electric Association is because they offer a special expertise. The elected members of the public utilities commission are of course accountable to voters, and nothing concentrates the mind, Mr Chair, I am sure you will agree, quite like voters. Those people, the PUCs, are on the front line. Hydro and Hydro's directors in their discussions may be wont to discuss concepts in the abstract in a kind of rarefied atmosphere in a downtown Toronto office building, but these people with the PUCs deal with ratepayers and deal with fundamental problems which affect people living within their areas,

whether it is home owners, small business or large business. They can offer a great deal of expertise and insight which has been lacking on the board.

1540

**Mr Huget:** I have to say that I have likely witnessed the fastest conversion of a point of view in history. It seems like only seconds ago that the third party and the opposition were saying that the board should not be expanded, that this was a mistake and that there also should not be any special interests groups paid special attention on the board. The clock has ticked maybe a minute or two and we have had a complete 180 in their views.

The motion, as it is presented here, would grant the Municipal Electric Association special status by ensuring that the three persons nominated by it were on the Hydro board. For all intents and purposes, it would make the association responsible for board appointments. The Lieutenant Governor in Council is responsible for board appointments. There are, as members are probably aware, a large number of groups that claim special status. To formally recognize any of them in the act would limit the government's flexibility in ensuring the appropriate mix of interests. Traditionally, the municipal electrical utilities, as Mr Arnott has pointed out, have always been ensured representation. Increasing the size of the board from 14 to 18 members will provide increased opportunities to ensure that interests such as those of, but not restricted to, the Municipal Electric Association are included on the board. I cannot support this motion.

**Mr Jordan:** I would like to clarify the apparent misunderstanding. We are not suggesting that because the board number has been increased the Municipal Electric Association be given places for three representatives on the board. The intent of the motion was brought to light as we travelled the province. These are the owners of the majority of the corporation. The Municipal Electric Association is in fact the stakeholder in Ontario Hydro, as I understand it. Certainly, then, would it not follow that these people should have some form of proportionate representation on that board, not only because they are elected by the people of Ontario—the government has been strong on saying, "We're trying to make it more representative"—but by the fact that they in fact are the majority owners of the corporation? They are the ones who can really bring, as previously stated, many concerns of the different ridings and cross-sections of business, large and small, to be considered by the other board members. They are certainly not going to control the board, but they are going to have good, strong, logical input as stakeholders in the corporation.

**Mr Farnan:** As always, I am moved by Mr Jordan's logic. He always makes a good argument. There is just the one difficulty that I have, and that is in the area of flexibility. We support the intent of ensuring representation but also that degree of flexibility which allows for a variety of interests to be served, not to be locked into structures. I can understand the intent, and even sympathize to a degree, but I think the principle of flexibility is one we want to bear in mind as well.

**Mr Brown:** I also wish to support Mr Jordan's amendment. It seems to me that it would be almost impossible not to have three directors from the Municipal Electric Association in a proper cross-section of the now 18, three or one-sixth, excluding the vice-chairman, the chairman and the deputy minister. It does not seem to me to be an inordinate number to guarantee. I frankly cannot understand the government's being very concerned with this amendment. It seems to me that they would want to ensure that at least three of the directors came from the Municipal Electric Association. Accepting this would just put into the legislation what I believe would be any government's intent. I do not understand why the government feels this would hurt its flexibility. Are they telling us they would not appoint three? That is the only reason for not doing it that I can see, that you are not prepared to appoint three people from the Municipal Electric Association. I urge the government to carefully consider this amendment.

**Mr Arnott:** I would like to address the comment made by the parliamentary assistant, I guess it was five or 10 minutes ago perhaps, that our party's motion which would have limited the number of directors to 12 was defeated on the grounds that we have to expand the board to allow representation for a number of groups and individuals which previously have not had proper representation. That was the rationale given for the government's position to defeat that amendment. Now, if there are going to be special positions given on the board, this group merits special positions. The government's position has been demonstrated just now. The government feels that positions should be there for certain groups. I find it very ironic for the parliamentary assistant to accuse me of having circular thinking or an about-face. On the other hand, I suggest that he has engaged in that himself.

**The Vice-Chair:** Mr Jordan, on a point of clarification.

**Mr Jordan:** I just wanted to bring to members' attention that, "Three of the directors appointed by the Lieutenant Governor in Council shall be appointed from persons nominated by the Municipal Electric Association." We are looking at them as an informed body well familiar with and able to put forward names for the board. They do not necessarily have to be members of the Municipal Electric Association. We are using their expertise to present these people as board members, but they do not necessarily have to be members of the association. I just want to leave that open.

**Mr Klopp:** For the precise reasons we talked about earlier as to why we cannot support this motion, it has never been stated that we have quotas on any special groups. The potential for any persons or groups to get a chance on the board is what we have talked about. This actually almost talks about a quota, that we are going to have to have three. Maybe, heaven forbid, the flexibility of the Lieutenant Governor of the time may want to have 16 members from the MEA on the board. That is the decision they wish. They are actually declaring that we are only going to have a certain group of people, period, from one area. We do not want to have kind of special status. We just want to have the opportunity to see more and more people. If their qualifications are good enough, the Lieutenant

Governor may pick them, if they happen to come from the MEA, the north, the south—or a farmer or a business person from downtown Sudbury. This would actually smack of setting up a quota system and tying the hands of the people. That is wrong.

**Mr Farnan:** Again, it always amazes me how close we are in our thinking and just that there may be some differences in interpreting or looking at the same issue. It is conceivable that the group Mr Jordan refers to could wish to put forward more than three recommendations. I do not think they should be bound or hindered in any way. I mean, whether it is police commissioners or whoever being appointed, you go out to the people in the field and ask for recommendations. Those recommendations will come in from this group, as from other groups that have qualifications within the field to make recommendations. I think all three parties are agreed that by going and seeking the source of best recommendations, we can then appoint the best qualified, bearing in mind the principle of having a broadly balanced board. I think we are very close, and sometimes the way we put forward a position actually makes it appear as though we are not as close as we are on these issues. I just wanted to put that forward.

1550

Motion negatived.

**The Vice-Chair:** I believe there is a motion on subsection 1(3) of the bill. I am getting ahead of myself again. I will ask the parliamentary assistant if he wants to give an explanation for subsection 1(3) of the bill.

**Mr Huget:** I am sorry, I got ahead of or behind myself as well. Until 1974 the chairman was the chief executive officer. Between 1974 and 1989 the chairman was the chief officer. Redesignating the chairperson as chief executive officer will strengthen the links between the board and the management of the corporation. The government feels this is the most effective way to structure the corporation. It is also consistent with the position in British Columbia, Alberta, Saskatchewan, Quebec, Nova Scotia, New Brunswick and Newfoundland, where the chairperson is also the chief executive officer.

**The Vice-Chair:** Discussion?

**Mr McGuinty:** Before I proceed, Mr Chair, are we going to have a PC motion on this?

**The Vice-Chair:** No, it was ruled out of order.

**Mr McGuinty:** All right then. What we are doing here is having the chairman, who is a political appointment, made the chief executive officer of Hydro. I have already described several times today how unusual a corporation Ontario Hydro is. By virtue of that, of its size and its complexity, it takes a great deal of time for someone occupying the position of CEO to come to grips with the questions faced by Hydro, let alone some of the answers. What we are doing when we make this change is to say, "Well, CEOs are going to change with governments." If you were to go into Alcan, Falconbridge or any other of the major corporations and say, "Look, we are going to change CEOs as often as we change governments in the province of Ontario," you would be laughed out of the room, because

it is absolutely critical that the CEO have continuity, and particularly so when you are dealing with a complex organization such as Ontario Hydro.

It may be that the systems are different than other provinces. They may have some special reasons in their legislation which somehow makes that appropriate, but I fail to see how, simply by virtue of that being the practice elsewhere, it makes it right here. I do not see how it does, given, again, the nature of the beast and Ontario Hydro's complexity. So for that reason, I will not be able to support this.

**Mr Farnan:** It is an interesting argument that Mr McGuinty raises, but it is an argument based on the presumption that people would be appointing a CEO based on some kind of partisan basis and based on, perhaps, an individual not qualified.

Probably the reason it works, and works across the country—I mean this sincerely. I am not talking about New Democrats; I am talking about all political parties. I genuinely think most political parties have a sense of the responsibilities entrusted to them, and in those major corporations that come under the broader area of government and the appointments that are made, I think there is a real effort made to rise above the partisan and to appoint the very finest people. When we look at the qualifications of the individual in this particular case—I think this was discussed yesterday—we see an individual whom I think any government of any persuasion would be prepared to look favourably on for the type of experience and leadership this particular individual brings to this board.

I think the argument that Mr McGuinty puts forward is the worst scenario, that of individuals poorly qualified, misplaced, out of touch; they are simply there for partisan reasons. Governments come and go, so that would not be in the best interests. But I think the reality of the matter is that governments of different persuasions appoint individuals from other political stripes, good people, and they appoint them precisely because they are good people. I do not think any government would want to exclude or disqualify people because they happen to have some connection or similar political persuasion.

My sense is that, on the whole, governments can change and senior bureaucrats and civil servants can remain in place simply because of the quality of the men and women who are in the civil service and who are appointed to senior positions. I think all governments of every political stripe have a pretty commendable record. There are occasions when we all may put a question mark, but I think in this particular case I have not heard that question mark at all.

1600

**Mr Brown:** I cannot support this change, bringing back the chair and the chief executive officer to be the one person. I think if members will recall, it was not too long ago—I believe in 1989—that committees sat and decided it would be best to separate these two positions. There were some reasons for that. It was not airy-fairy stuff. It was that the chairmen of the board are the chief policy-makers of the corporation. That is their reason to be. They are to develop the policies that will best serve the corporation and the ratepayers of the province.

The CEO is the guy or gal who is going to be running the show, the actual operations. He or she takes directions from the board and puts those directions into being. It seems to me—and I think to the former government and the former committee, because I think even your party agreed with this back then, although I have not looked up the Hansard and really cannot recall—that the separation was a good thing, that there is at times almost a conflict between operations and policy, and that having two different people fulfil those functions would be a commendable way of operating the largest public utility in North America.

We are not talking about Manitoba or British Columbia, which are small entities in comparison to this beast we are trying to wrestle to the ground here. This is a huge corporation which has huge operational difficulties, as any corporation of that size would.

We over here think that what was done in 1989 makes a lot of sense. Have somebody who implements the directives of the board and have someone who considers both the short- and long-term policy along with the other board members. I think that makes ultimate sense, and I am very disturbed by this regression to almost a conflict situation at times that has occurred.

I know that much of this discussion is really moot, because in the past, following the Legislature changing the legislation to permit this, there was only one person doing both jobs. He held both titles. But I do not think that was the intention of government. I think it was the intention of government to put someone solidly in control of day-to-day operations and have someone separate look after the long-term, albeit short-term, policy, decisions. And I think there are enough policy decisions to be made in Hydro.

Now, perhaps within the context of this bill, this does make sense, because there are not going to be policy decisions made there; there are only going to be operational decisions. The decisions on policy are going to be made in the corner office, so why have two people? Why separate the positions? They are going to be made in Mr Rae's office at the corner of this building, and really, that is all we need to know. With that, Mr Chair, I will yield the floor.

**Mr Farnan:** I regret the very partisan and small-minded approach of Mr Brown—on this particular issue, I might add, because very often he puts forward a much more generous approach in discussing these issues.

This is one of those situations where you can argue a case on one side and talk about a separation of roles. You can talk about an integration of roles and a greater efficiency and a greater understanding and integration. The government is looking at it. The thinking, to me, would be that there are arguments that are supportive of this. I do not think Mr Brown would say that there are no arguments that support this. Basically, just looking at the same picture from a different angle, this is the position the government has come down with, and I think it will work. It works in many organizations, so time will tell.

**Mr McGuinty:** This particular provision is very symbolic, I think, of the government's real intention through Bill 118, which is not to gain some kind of control over Hydro so much as to dominate it. I think the element

of control certainly is in the information flow, and liaison is created through the appointment of the deputy minister to the board. That achieves that objective.

But when we make the chair and CEO one position, we are effectively eliminating any opportunity for a CEO to act objectively, to at some point, when the time is opportune, stand up to the government and say: "Hang on a sec. I don't think that is in the interests of Hydro. I don't think that is in the interests of ratepayers, and I'm going to say that notwithstanding the fact that you happen to have appointed me to this job."

When there is a government appointment, there are always two considerations. First of all, is the person competent? Second, is that person prepared to go along with my policies as the government? That is fair game; that is the way it has worked and that is the way it is going to continue to work. I disagree with Mr Farnan when he says we are just going to put the best person for the job. It is the best person for the NDP when they form the government, the best person for the PCs when they form the government, and for us when we form the government. I do not think it is that simple. We are always looking for someone who is going to carry the ball when it comes to our particular idiosyncratic policies.

I think it is important here to keep the interests of ratepayers in mind, and they want a CEO in there who is not going to be beholden to government policies at all costs. That is the chair's job. We have a liaison with the deputy minister, so this is overkill. Again, it is indicative of the government's intention not to control, but rather to dominate.

**Mr Brown:** I am, as I think the people of Ontario should be, confused by this particular clause. I think there was no indication by the party now in power that this was the direction they wanted to go. The position that was articulated before the election of 1990, when they became the government, was that the way to get control of Hydro was to make it accountable to the Ontario Energy Board; to make the Ontario Energy Board the arbiter of whether what Hydro did was right or wrong. It was not to just make Hydro a more direct arm of the government. So I am puzzled. I really do not know what would have indicated to anyone in the electorate that this was the direction this government would take once it was in power.

I go back to the 1989 amendments. I am sure there was no great objection from the New Democrats to the separation of this, and I agree with Mr Farnan that there can be arguments made on both sides of this issue. However, I believe strongly that on balance, the arguments for separation are far greater. I concur with my colleague Mr McGuinty, who suggests that a professional whose job it is to operate the utility can be separated from the policy person and that it is in the interests both of the ratepayers and the people of Ontario in general to have that be the case.

1610

**Mr Huget:** Just for clarification, Hydro has historically had two top executive positions, a chair and a president. This is consistent with how all large corporations are organized. In general, the chair was responsible for strategic

planning and policy direction, while the president was responsible for operations of the corporation.

The senior executive level at Hydro was reorganized this summer to ensure that both of these received proper attention: long-term planning and policy-setting, and operations and day-to-day performance of the electricity system. The chair and chief executive officer, Mark Eliesen, is responsible for strategic planning functions, overall policy direction for the corporation and the implementation of the government's policy priorities, including new energy directions. The president and chief operating officer, Mr Alan Holt, continues to report to the chair but is directly responsible for operations and the production, supply and distribution of electricity.

That is for clarification on the two positions.

**The Vice-Chair:** Any further discussion? Mr Arnott.

**Mr Arnott:** I would just like to indicate that personally I am not supportive of this initiative by the government. I have listened very closely to the debate that has ensued since this provision was suggested, but I think the one other point that has not come up is the issue of consolidation of power in one individual. I think that is a very compelling point.

I think that with the whole of Bill 118, we see power shifting to the Minister of Energy, naturally, with his new ability to bring in policy directives that I guess must be followed instantly. And we see power being stripped from the board itself and ensuing liability being taken away from them. They do not have to worry about that any more. If the policy directive is coming from the government, that is okay. And of course with the chief executive officer's responsibility going with the chairman, as I say, I have concerns about the consolidation of excessive power essentially within these two individuals.

When we look at the way this has been handled, certainly the appointment to the chairman's position has been made by the cabinet. It by nature and by definition becomes a political appointment, and I dare say that anyone who did not, broadly speaking, support the objectives of the present government, any of those, anyone, was immediately ruled out of contention for that particular position. For anyone to suggest otherwise, I think, is dreaming.

The other point that will come up later in the bill is the feature of Bill 118 that indicates that the chairman becomes CEO effective the date of first reading. I have grave concerns about that, so it indicates that once again, this committee process is at best a joke.

**Mr Farnan:** I have a very brief comment in response to Mr Arnott. When you use words like the "stripping of powers," it has all kinds of connotations. In fact, it may be increasing the accountability. So it is how you use words and how you phrase things that can colour an issue. I would just say that if we look at this rationally, we can see a very plausible approach on the part of the government to increase responsibility, and I would prefer to look at it as increased responsibility, as a very positive approach.

**Mr Brown:** For who?

**Mr Farnan:** Increased accountability right across the board: from the board, from the chairman, from the CEO.

**Mr Brown:** To whom?

**The Vice-Chair:** Mr Brown, do you have a comment to make?

**Mr Brown:** No.

**The Vice-Chair:** No? Seeing no further discussion, I would like to put the question on subsection 1(3) of the bill. All those in favour?

**Mr Brown:** Mr Chair, we would prefer a recorded vote.

**The Vice-Chair:** Okay. This will be a recorded vote.

The committee divided on Mr Huget's motion, which was agreed to on the following vote:

**Ayes—6**

Coppen, Farnan, Huget, Jamison, Klopp, Murdock, S.

**Nays—5**

Arnott, Brown, Cleary, Jordan, McGuinty.

**The Vice-Chair:** I have had members from various caucuses indicating they would like to have a five-minute recess to stretch their legs. Could we recess for five minutes and be back promptly? Thank you.

The committee recessed at 1615.

**1630**

**Mr Huget:** As you know, I have had two government motions distributed which would provide that subsection 1(4) and section 6 of the bill be struck out.

It is my understanding that a motion to strike out a subsection or a section of a bill is not in order if no substitution or amendment is being made. The proper course is to vote against the subsection or section standing as part of the bill. My purpose in distributing the two motions was to inform the committee of our intentions relating to subsection 1(4) and section 6. Rather than moving motions which are out of order, the government members of the committee propose to vote against the said subsection and section standing as part of the bill.

**The Vice-Chair:** Thank you, Mr Huget. We are now dealing with subsection 1(4) of the bill. Mr Huget, do you have any explanations that you wish to give at this time?

**Mr Huget:** In a moment, Mr Chairman. I will defer to Mr Ciemiega.

**Mr Ciemiega:** We are going back to the status quo. Under the bill, the remuneration of the chief executive officer would be set by the board of directors. Now we are going back and having it set by the Lieutenant Governor in Council, so there is no need to amend the act. That is why we are repealing it.

**Mr Klopp:** I am glad we decided to pull it out, because in our discussions it became clearly evident that this is one issue that everybody in the public felt was a good idea. I know when I sat here, especially on the government side, trying to decide what side of the fence to lean against, depending on arguments, it was very hard, and I think the amendments that we have come up with are very good. But this one here is one that everybody from both sides, whether he agreed with Ontario Hydro's being a saint or being a villain, agreed very clearly that the government

should take full responsibility with regard to the salary. They are going to get blamed for it anyway. So I am glad we decided to withdraw that motion, and I fully support Bob's proposal.

**Mr McGuinty:** I applaud the government members for amending the bill by deleting this particular subsection. I am sure that our subtle overtures in the House with reference to this matter had some bearing on it and I am delighted that they were so sensitive.

**Mr Huget:** I appreciate the flattering comments from the Tory party and the opposition.

**Mr Arnott:** We did not say anything yet.

**Mr Huget:** Well, they are about to. I am just trying to move ahead of the third party a touch. Anyway, I think it is important that the fact is we did respond and did listen to the concerns that were raised by a number of individuals and groups throughout the province in terms of this issue, and I think it speaks of our motivation in terms of doing exactly that—responding to the concerns of the public and responding to the best interests of the people of the province.

**Mr Jordan:** Just a question, Mr Huget. In reverting back to the present act for policy on this section, do you plan to continue with the formula as expressed in the House by the previous Minister of Energy that, in fact, the chairperson and chief executive officer's salary would be set at 80% of the president's? That was the formula that was used to establish the present salary, as stated in the House.

**Mr Huget:** Yes, that is correct. We will proceed with that.

**The Vice-Chair:** Shall subsection 1(4) of the bill carry? It is defeated.

Section 1, as amended, agreed to.

**The Vice-Chair:** We will move on to a motion by the Liberal caucus.

Mr McGuinty moves that the bill be amended by adding the following section:

"1.1 The act is amended by adding the following section:

"Duty of care

"7.1(1) Every director and officer in exercising his or her powers and discharging his or her duties shall act honestly and in good faith with a view to the best interests of the corporation, and shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

"Compliance

"(2) Every director and officer shall comply with this act and the regulations made under this act and with the bylaws of the corporation.

"Non-liability if reliance in good faith

"(3) A director or officer is not liable for a breach of duty under subsection (1) or (2) if he or she relies in good faith on,

"(a) financial statements of the corporation represented to him or her by an officer of the corporation or in a written report of the auditor of the corporation as fairly reflecting the condition of the corporation; or

"(b) a report of a lawyer, accountant, engineer, appraiser or other person whose position or profession lends credibility to a statement made by that person.

"Provision does not exclude liability

"(4) No provision in a contract, bylaw or a resolution of the corporation relieves a director or officer from the duty to act in accordance with this act and the regulations made under this act or relieves him or her from liability for a breach of that duty."

Mr McGuinty, do you wish to elaborate?

**Mr McGuinty:** What I am attempting to address here is a shortcoming, as I see it in the act, which becomes extremely more important in light of the provisions contained within Bill 118.

To my knowledge—and I do not profess to be an expert in these matters—the Power Corporation Act is a bit unusual in that it does not contain a statutory obligation as to the duties of the directors and officers. In other words, if I am a director or officer of Hydro, I cannot look up the act and say, "Well, what am I supposed to be doing, and how do I know if I am doing the right thing or the wrong thing?"

There are other provisions that would guide me in terms of obtaining an answer to that question, which is, "What am I supposed to be doing as a director or officer?" and those are common law provisions which are essentially traditions that have developed over the years. But I thought it should be in the act in black and white.

My amendment imposes a positive duty on the directors. There is a test there. It says, "What are you supposed to do?" Section 7.1 says, "Every director and officer in exercising his or her powers and discharging his or her duties shall act honestly." So, first of all, you have to act "honestly and in good faith with a view to the best interests of the corporation, and shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances."

It is not a special or particularly onerous burden. We are not saying you have to exercise the care, diligence and skill that a reasonably prudent electrical engineer, physicist, economist or legal expert would exercise; it is just what a reasonably prudent person would exercise in those circumstances. What it would do is allow ratepayers, directors and the government to understand in a concrete way what those directors' duties are. It gives all of us a test that we can apply to see whether the directors are fulfilling that duty.

1640

As I said before, directors can always consult this provision to see what it is they are supposed to be doing. Of course, my concern is that the government may, at some point, ask them to do something which they feel may not be appropriate. That may not lead them to discharge their duty properly, and this provides them with a test. But it goes on to say, again to be reasonable, "Look, in subsection 3, essentially, you're not going to be liable if you rely on financial statements that are prepared by the appropriate experts," or "You're not going to be liable if you rely, as directors in corporations quite regularly do, on advice that you get from an lawyer, an accountant, engineer, appraiser or other person who has some credibility or professional expertise."

But it goes on to say as well that you cannot get off the hook in subsection 4 by putting some kind of provision in

a contract, a resolution or a bylaw. You always have to fulfil this duty of care. That is going to be paramount. It does not matter what the government tells you; at the end of the day, you are going to be held accountable for exercising a duty of care which is set out here. Again, it is not one that is particularly onerous. It just says you have got to exercise the "care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances."

**Mr Huget:** The Liberal motion deals with the duty, liability and indemnification of members of the board and officers. These matters are dealt with extensively in the Business Corporations Act. Section 136 of the act, dealing with non-liability, applies specifically to Ontario Hydro through reference in the Power Corporation Act. I will ask Mr Ciemiega to elaborate.

**Mr Ciemiega:** Basically, the provision you would have in duty of care is really a common law provision that is applicable to every director, regardless of whether it appears in the statute or not. This is really not necessary, and I do not see why you would want to put something like this into a bill if it really is not necessary. You have the other provisions relating to section 136 which are referenced directly in the Power Corporation Act.

**Mr Arnott:** I just have a question, Mr McGuinty. On a number of occasions you have expressed the concern that with Bill 118, the board would no longer be in a position to represent the interests of the ratepayers. I wonder if you feel this is inherent within this amendment, because you have mentioned that the "director shall act honestly and in good faith with a view to the best interests of the corporation." I wonder if the best interests of the corporation and the best interests of the ratepayers would always be the same, in your view, or would they, on some occasions, be in conflict?

**Mr McGuinty:** Yes, but those two should never come into conflict. This amendment, together with other amendments that I am going to propose, would ensure that directors always exercise that duty of care, particularly in light of subsection 4. This amendment says that this duty of care will be paramount and it can never be displaced, even by a government issuing a policy directive, for instance, which tells them to do something that they feel, in their heart of hearts, is not right for the shareholders. It ensures that, in doing anything, the directors have to place the interests of the ratepayers first and foremost.

**Mr Arnott:** Mr McGuinty, can you tell me if at the present time—perhaps the representatives from Hydro can answer this—there is an oath that directors take beyond the oath of allegiance?

**Mr McGuinty:** I do not know.

**Mr Huget:** I am certainly not aware of a specific oath they take. That is something I suppose we can find out.

**Mr Arnott:** I would be interested in knowing that, if Hydro could respond.

**Mr Jennings:** We are not aware of any.

**Mr Arnott:** At a later date.

**Mr McGuinty:** Legislative counsel for the ministry indicated that this is found to some extent within section

136 of the Business Corporations Act, and he is quite right. What I think is important is that directors know specifically what their obligations are. I think it is more appropriate that it be contained within the act, so that if you become a director and somebody tosses you a copy of the Power Corporation Act, if you have the energy to read through it and perhaps the experience to understand it, that will give you some idea of what you are all about.

Second, a very important provision in my amendment is subsection (4), which is what I call a paramouncy provision, which says that the government cannot overrule that duty of yours to look out for the interests of ratepayers by properly fulfilling your duty of care that is owed to them.

**The Vice-Chair:** Mr Jordan?

**Mr Jordan:** Mr McGuinty has just answered my question.

**Mr Farnan:** Can we take a break, Mr Chairman?  
Interjection.

**Mr Farnan:** Maybe I would have a question, then, a very short question.

**The Vice-Chair:** Yes. I was waiting for your question.

**Mr Farnan:** On reflection, I think the answer probably comes back to me now. I just wanted further clarification on the points that were raised by the counsel of Hydro, but I think I am comfortable with the explanation we received.

**The Vice-Chair:** Thank you, Mr Farnan. All those in favour of the amendment?

**Mr McGuinty:** Could we have a recorded vote, please, Mr Chairman?

**The Vice-Chair:** This will be a recorded vote.

The committee divided on Mr McGuinty's motion, which was negatived on the following vote:

#### Ayes—5

Arnott, Brown, Cleary, Jordan, McGuinty.

#### Nays—6

Coppen, Farnan, Huget, Jamison, Klopp, Murdock, S.  
Section 2:

**The Vice-Chair:** We are moving on to section 2. We have four amendments to section 2. Do you wish to deal with them today or do you wish to hold them over, it being nine minutes to 5.

**Mr Klopp:** Hold them over.

**Mr McGuinty:** I know we could probably deal with my first one in short order. I am in your hands, Mr Chair. I am prepared to go along.

1650

**Mr Farnan:** If it is indicated that the Liberal position would be to carry on, I think we should facilitate. We agreed to 5 o'clock.

**The Vice-Chair:** Mr McGuinty moves that subsection 10(3) of the act, as set out in section 2 of the bill, be struck out and the following substituted:

"Directors

"(3) The directors shall ensure that policy directives are implemented promptly and efficiently and, if in imple-

menting a directive the directors act in accordance with section 7.1, they are not accountable for any consequences arising from the implementation of the directive."

**Mr McGuinty:** This would have been a companion to the earlier one, Mr Chair.

**The Vice-Chair:** I am just getting a clarification on the ruling on this.

Upon discussion with the clerk and legislative counsel, I find that I must rule this out of order—and I will put it this way—as it is an established principle of parliamentary procedure that an amendment cannot be admitted if it is governed by or dependent upon amendments which have already been negatived. It is therefore ruled out of order.

**Mr McGuinty:** I had a feeling that would be a pretty brief matter.

**The Vice-Chair:** Mr McGuinty moves that subsection 10(5) of the act, as set out in section 2 of the bill, be struck out and the following substituted:

"Report to minister

"(5) The board shall report to the minister whenever it exercises a power or performs a duty to which a policy directive relates and shall specify the actual or estimated cost of giving effect to the directive.

"Accounts

"(5.1) The cost of exercising a power or performing a duty relating to a policy directive shall be specifically reported in the corporation's accounts required by section 14."

**Mr McGuinty:** What I am trying to address here is the costs associated with carrying out a policy directive. In particular, I am concerned about what those costs might be. We have already had criticisms levelled against Hydro by the Ontario Energy Board with respect to the cost-effectiveness of some of its conservation efforts. This amendment will require Hydro to keep the minister informed as to what the real costs of compliance with a policy directive are, and it is going to require that there be a specific entry at year-end audit that will make the cost public. Then the public and the Legislature, at that point in time, will all be able to determine in a concrete way whether a government policy is cost-effective.

If we are talking about accountability, if we are talking about openness, then this is the kind of provision that is going to ensure that we have the facts at our fingertips at least annually and that the minister will have the facts at the outset, when he or she asks that a certain policy directive be carried out, because it requires that the actual or estimated cost to carry out that directive be filed through a report with the minister.

**Mr Huget:** Reports are dealt with in the bill in the government motion on section 2. The costs of implementing policy directives are included in the cost of power. These costs are reviewed by the Ontario Energy Board as part of the annual review by the Energy Board, as part of the review of Hydro's annual rate application. All of Hydro's costs are included in Hydro's accounts and are audited annually. Hydro's activities are also subject to review by the Provincial Auditor. The government feels that these matters are better dealt with through a memorandum of understanding between the Minister of Energy and Hydro.

**Mr Farnan:** I commend Mr McGuinty for his concern with fiscal responsibility. I think that is something we all support. Listening to the chairman of the board yesterday, I think it is a thrust in a direction that he is determined to bring to the board to an even greater degree, and of course it fits in with the overall government objectives of fiscal responsibility. We are all on track on this. I think it is something where we have to work together in the future for the benefit of the taxpayers of Ontario.

**Mr McGuinty:** As the bill exists right now, there is no specific requirement that I can see that requires that the board file a report with the minister whenever it exercises a policy directive that specifically requires that it set out the actual estimated costs. If I am mistaken in that regard, I stand to be corrected.

Furthermore, it is my understanding that there is no specific requirement that the annual audit contain an entry specific to costs associated with carrying out a policy directive. Again, if I am mistaken in that regard then I will stand to be corrected.

Mr Chairman, I am directing this as an interrogatory.

**The Vice-Chair:** This is a question?

**Mr McGuinty:** Yes, it is a question.

**Mr Jennings:** Section 2 of the bill does have an item which says:

"(5) The board shall report to the minister whenever it exercises a power or performs a duty to which a policy directive relates."

**Mr McGuinty:** My concern is that there is no reference to costs. That is what I am getting at here. There is no reference in this subsection (5) to the fact that this report must contain within it an outline of the costs, your actual estimates.

**Mr Jennings:** The cost of complying with a policy directive, in a later section of the bill, section 7, refers to section 92 of the new act, but the cost of complying with the policy directive is one of the costs of power under section 92 of the act. Those costs are reviewed by the Ontario Energy Board on an annual basis.

**Mr McGuinty:** Is there a requirement that the audit retain a specific entry with respect to policy directives?

**Mr Jennings:** Not in the bill as it stands. In addition to the legislation, what would be covered in the Power Corporation Act, there is general provision for a memorandum of understanding between the minister and Ontario Hydro. In general, things like reporting requirements are usually included in the memorandum of understanding rather than specifically in legislation.

**Mr Ciernieja:** We could put that requirement in the memorandum of understanding. Under the legislation as it currently exists they are required to answer any question the minister asks. I would think that one of the questions he would ask when he ships them a proposed directive, as he is required to by the statute, would be, what would this thing cost? That would just be a logical question. What minister would want to issue a policy directive without knowing what carrying out that directive will cost?

1700

**Mr Brown:** I am concerned with the very same issue. It may be that the minister will ask and it may be that it will be reported to the minister. I would think that would happen. I really believe, as you say, that any minister doing his job would ask that question and would get an answer. But that does not mean that the public knows.

If we are going to be accountable, I do not see any provision in this act—and again you can help me if I am just not reading it correctly or understanding it properly—that says the cost of this policy directive is this much, and that appears as a line item in the financial statements of Ontario Hydro at the end of the year to be reviewed. I see, as you are telling me, that this cost is a power cost essentially and will be included in that. But that does not mean that it will be separated out as "this policy costs this much to implement." I think what Mr McGuinty is trying to get at is that, so that not only does the minister know, but that the people of the province of Ontario and the auditor can determine exactly the cost of a policy directive from the minister. Am I wrong? Will there be a line item that says, "The policy directive costs X dollars?"

**Mr Jennings:** There are a lot of specific line items with specific expenditures that Ontario Hydro makes, and not all of them have line items. But, in general, Ontario Hydro's costs are reviewed annually at the Ontario Energy Board. These are the intervenors; it is a quasi-judicial tribunal. Anyone can seek that information if there is a particular item there is controversy about or interest in. Ontario Hydro would have to provide the information at that forum.

**Mr Brown:** True, I understand that. But I would expect any initiative of the minister's that is being implemented will cross a wide range of accounting items. It will show up here, and over here, and over here, as increased costs. But are those costs ever going to be brought together in one place to say "This costs this much"? I am not quarrelling that the numbers will not be there somewhere, and that some forensic accountant might be able to figure it out. What Mr McGuinty I think is looking for is a clear statement that says, "This is what this initiative costs." I am not getting a feeling that is going to be there.

**Mr Jennings:** The issue of what Hydro is spending on certain costs is addressed by the review at the Ontario Energy Board. In fact, at last year's rate hearing there was the question of what impact the Elliot Lake initiatives would have on the rates for the next year. That question was answered by Ontario Hydro. I think it is the same with any other initiative. If that question were posed, Ontario Hydro would at that time be able to provide the answer.

**Mr Brown:** But what we are saying is that we do not think we should have to ask the question; we think it should be there. The public has a right to know without pursuing it, that it is out there, black and white, this cost, this amount of money to implement this directive, that we do not have to worry about whether the Ontario Energy Board decides to ask the question.

**Mr Jennings:** No. There are intervenors, and there is in fact funding for intervenors, at the Ontario Energy Board.

**Mr Brown:** I understand all that. I am not really too worried about the Ontario Energy Board. What I am worried about is that the ordinary ratepayer of Ontario Hydro can see that clearly in the statement, the board of directors can see it in the statement, and the people responsible can see it in the statement without waiting for the OEB to have a look at it.

**Mr Jennings:** The Ontario Hydro board of directors can certainly get the information as well. The Ontario Energy Board annual review of Hydro rates is the forum set up in this province for Ontario Hydro's costs to be reviewed publicly.

**Mr Brown:** So what is the problem in putting the cost of the directive out there?

**The Vice-Chair:** I am going to jump in here for a second, because if the debate is going to carry on, I am going to adjourn. But if there are a couple of more quick points that people wish to make and then we can get on with the vote, then I will finish this one amendment. Otherwise, I am going to adjourn.

**Mr Brown:** Are there final speakers?

**The Vice-Chair:** There is one other speaker who wishes to speak.

**Mr Brown:** I am going to surrender.

**The Vice-Chair:** You are going to surrender? So Mr Jordan, if it is a long debate—

**Mr Jordan:** I just wanted to make a quick point relative to Mr McGuinty's motion in that we saw yesterday an example where the Minister of Energy and the chairman are moving ahead with fuel switching, but they had not done any costing of it. They said, "Well, we haven't got that far yet." Yet it is a policy, it is in the update, it has gone to the board. But they have not costed it out, so they cannot tell us what it could cost because they have not studied it yet. I think this might make that a requisite of the board: to know what the hell a policy directive was going to cost before they lunged ahead and implemented it. That is the concern that I see in not being able to identify it separately as the motion suggests.

**The Vice-Chair:** Mr Huget, you may answer.

**Mr Huget:** I think we can certainly commit to giving that issue consideration when we are considering the process of strengthening the memorandum of understanding between the minister and Hydro.

**Mr McGuinty:** The memorandum of understanding, so far as the public at large is concerned, is something

rather ephemeral. We do not get a copy of the memorandum of understanding distributed to us automatically, even as members of the Legislature. I am looking for a specific entry which will make the government, make the minister, understand very clearly that any particular initiative has a cost associated with it, and this cost is going to be made public. It makes the ratepayers, the people who are footing the bill here, take some comfort in knowing that. But we will be able to make some kind of assessment at the end of the day here. We will be able to determine specifically what the costs are associated with every specific policy directive.

**Mr Farnan:** One cannot help but support the intent. I think this applies not only to Ontario Hydro. It applies to every body where we want fiscal responsibility. I think what you have seen is a government—and again I think you have to go back to the broad picture—that is clearly setting forward a policy of tight fiscal restraint throughout all its ministries and throughout the agencies and boards across the province.

**Mr Brown:** Now you know why we want this amendment to pass.

**Mr Farnan:** There are in place many measuring tools for the government. But the reality of the matter, when you are in a mode of fiscal restraint, is that the government and the ministry, and indeed the agencies, are looking very tightly at policy directives and of course looking at creative and innovative ways in which to implement services in a cost-effective manner. That is the direction of the government, and I suspect the direction of Ontario Hydro. Of course we welcome all parties supporting that directive and commend Mr McGuinty for his support.

**The Vice-Chair:** Thank you, Mr Farnan. Hearing no further debate, all those in favour?

**Mr McGuinty:** Recorded vote.

**The Vice-Chair:** Oh, and it is a recorded vote.

The committee divided on Mr McGuinty's motion, which was negated on the following vote:

**Ayes—4**

Arnott, Brown, Jordan, McGuinty.

**Nays—5**

Coppen, Farnan, Huget, Klopp, Murdock, S.

**The Vice-Chair:** The committee now stands adjourned till 10 am tomorrow morning, at which time we will resume clause-by-clause of Bill 118.

The committee adjourned at 1706.

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### STANDING COMMITTEE ON RESOURCES DEVELOPMENT

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**Vice-Chair / Vice-Président(e):** Waters, Daniel (Muskoka-Georgian Bay/Muskoka-Baie-Georgienne ND)

Arnott, Ted (Wellington PC)

Cleary, John C. (Cornwall L)

Dadamo, George (Windsor-Sandwich ND)

Huget, Bob (Sarnia ND)

Jordan, Leo (Lanark-Renfrew PC)

Klopp, Paul (Huron ND)

McGuinty, Dalton (Ottawa South/-Sud L)

Murdock, Sharon (Sudbury ND)

Ramsay, David (Timiskaming L)

Wood, Len (Cochrane North/-Nord ND)

**Substitution(s) / Membre(s) remplaçant(s):**

Brown, Michael A. (Algoma-Manitoulin L) for Mr Ramsay

Coppen, Shirley, (Niagara South/-Sud ND) for Ms S. Murdock

Farnan, Mike (Cambridge ND) for Mr Wood

Jamison, Norm (Norfolk ND) for Mr Kormos

Marchese, Rosario (Fort York ND) for Mr Dadamo

**Also taking part / Autres participants et participantes:**

Ciemiega, Ed, Ministry of Energy

Jennings, Rick, Ministry of Energy

**Clerk pro tem / Greffier ou greffière par intérim:** Manikel, Tannis

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## Assemblée législative de l'Ontario

Première intercession, 35<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 19 February 1992

# Journal des débats (Hansard)

Le mercredi 19 février 1992

## Standing committee on resources development

Power Corporation  
Amendment Act, 1991

## Comité permanent du développement des ressources

Loi de 1991 modifiant  
la Loi sur la Société de l'électricité

Chair: Peter Kormos  
Clerk: Harold Brown

Président : Peter Kormos  
Greffier : Harold Brown

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## Table des matières

La table des matières des séances rapportées dans ce numéro se trouve à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et des autres députés ayant participé.

Il existe un index cumulatif des numéros précédents. Les renseignements qu'il contient sont à votre disposition par téléphone auprès des employés de l'index du Journal des débats au (416) 325-7400.

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday 19 February 1992

The committee met at 1017 in committee room 2.

### POWER CORPORATION AMENDMENT ACT, 1991

#### LOI DE 1991 MODIFIANT LA LOI SUR LA SOCIÉTÉ DE L'ÉLECTRICITÉ

Resuming consideration of Bill 118, An Act to amend the Power Corporation Act / Projet de loi 118, Loi modifiant la Loi sur la Société de l'électricité.

**The Vice-Chair:** We will call the meeting to order. We are resuming clause-by-clause.

**Mr Huget:** Mr Arnott requested some information on the remuneration of board members as well as the oath of allegiance which board members took. I have information on the remuneration issue and I will likely have information later on today about the oath issue. There is no oath. There is, however, a code of ethics, and we will provide that and table it. In the meantime, I am informed that each member of the board of directors of Ontario Hydro is entitled to an annual honorarium of \$5,000. If they serve as vice-chairman or chairman of any subcommittee, they receive an additional \$3,000 annual honorarium. For each day of attendance, they receive \$185. I am also informed that the annual total cost for four members would not be in excess of \$30,000.

**Mr Brown:** Including expenses?

**The Vice-Chair:** Is there any further discussion on this? Okay, thank you.

#### Section 2:

**The Vice-Chair:** Yesterday we left off at section 2 of the bill. We will be resuming with some new amendments brought forward by Mr Jordan. What we will be looking at, Mr Jordan, is your amendment to subsection 10(1) of the act, as set out in section 2 of the bill.

Mr Jordan moves that subsection 10(1) of the act, as set out in section 2 of the bill, be struck out and the following substituted:

#### "Policy directives

"(1) The minister may issue policy directives consistent with the mandate of the corporation that have been approved by the Lieutenant Governor in Council on matters relating to the corporation's exercise of its powers and duties under this act."

**Mr Jordan:** The important issue that is being brought out here by the motion is relative to the minister issuing policy directives that are consistent with the mandate of the corporation and have been approved by the Lieutenant Governor in Council.

**Mr Huget:** The issue of mandate is not specifically defined in the Power Corporation Act. We believe that the issue of policy directives, being related to the corporation's business and purposes, will be adequately dealt with by a

government motion, so we are not in favour of Mr Jordan's motion.

**Mr McGuinty:** One of the concerns my party has and one of the primary concerns related to us by so many of the people who appeared before the committee when we toured the province was that the government might be able to compel Hydro to do things that were not in the interests of the corporation, and more especially of the ratepayers. I think we witnessed that the day before yesterday when I was asking questions of Mr Eliesen. He indicated he honestly believed that when Hydro was compelled by the government to pay I think some \$35 million to a job creation fund in northern Ontario and to pay off a couple of municipal debts, that actually was quite rightfully in keeping with Hydro's mandate to supply power at cost.

I think the crux of the matter here is this definition of power at cost. I guess there are two problems: first, it is not specifically defined sufficiently to my liking within the act as it exists; second, it is very subjective. What someone says falls within that definition may be very different from what someone else says falls within that definition. There is no objective test here we can apply and say, yes, you can tell Hydro to do this and no, you cannot tell it to do that because that falls outside its mandate.

I am going to support this motion because it attempts to narrow the scope of those directives so that they have to fall within the mandate, and I am assuming that implicitly the mandate is to supply power at cost.

**The Vice-Chair:** Further discussion? Seeing none, we will put the question. All those in favour of Mr Jordan's amendment, please signify. Opposed?

Motion negatived.

**The Vice-Chair:** We will move on. Mr Jordan, you have another amendment?

**Mr Jordan:** I do, relative to section 2 of the bill, subsection 10(2) of the act.

**The Vice-Chair:** Mr Jordan moves that subsection 10(2) of the act, as set out in section 2 of the bill, be struck out and the following substituted:

#### "Consultation

"(2) Before issuing a policy directive, the minister shall consult the board with respect to the content of the directive and its effect on the corporation and to determine whether the directive is consistent with sound business practices and the mandate of the corporation.

#### "Report by minister

"(2.1) The minister shall table in the assembly a written report concerning the consultation.

#### "Review

"(2.2) If the board concludes that a policy directive is inconsistent with sound business practices or the mandate

of the corporation, the board shall request a review of the directive by the minister.

"Idem

"(2.3) A review requested under subsection (2.2) shall be completed within ninety days of the date on which the minister receives the request from the board and during that time the board shall not act to implement the directive in whole or in part.

"Reasons

"(2.4) If the minister decides to proceed with a policy directive that the board finds to be inconsistent with sound business practices or the mandate of the corporation, the minister shall provide to the board and the assembly the reasons for the decision."

**Mr Jordan:** What we are attempting to do here is allow the minister to have the power he wishes in issuing directives to Ontario Hydro. But we in the Legislature, representing all ridings—when we refer to the government, I think we have not only to think of the people who have been elected and have formed the government; we have to think of the Legislative Assembly as all the members who represent the people of Ontario. This amendment our party is proposing would be a type of assurance to those of us who are not part of the government that in fact directives issued by the government and carried out by the board will receive proper public debate and assessment before action is taken on them. That is the basis of it.

**Mr Carr:** This was an attempt at a bit of a compromise. If the government is saying it wants to have this power, then let's make it so that the minister will be accountable in an open process. That is what subsection (2.1) does, makes it accountable. He has to justify it, so that when it becomes open and public, there will be public input and debate around it. That is essentially what subsection (2.4) does as well, makes it accountable to the public, to justify the reasons a minister may act.

It was done as a way of saying okay, if you are going to proceed in this way, then here is an amendment which may help make it more accountable, as a bit of a compromise. You are going to go ahead with it. Let's just make it so that the public will be aware of it. They will have to justify it and we will not end up with having a situation two years down the road when costs go up dramatically and people ask, "Why in the heck did this happen and where did we go wrong?" It will give, along the way, the public a chance to understand what is happening and what the government is doing. The bottom line is that all it does is make the government accountable, which I think is a good thing.

**Mr Huget:** With the government motion, policy directives can only relate to Hydro's powers and duties under the act. The government's intention is that policy directives will be consistent with Hydro's mandate. Therefore, there is no need for the forms of review mechanisms included in the PC motion. The bill already requires the minister to consult with Hydro about the content and effect of implementing policy directives. It also already requires Hydro to report to the minister on the implementation. The minister already reports to the Legislature about Hydro activity.

Further, policy directives will become public after being approved by the Lieutenant Governor in Council under the normal process of gazetting of orders in council and regulations. We cannot support the motion.

**Mr McGuinty:** What we are getting at here again is the issue as to whether we are looking for control of Hydro or domination. As I read it, and I was just handed this a few moments ago, what this motion is attempting to do is establish some kind of test that the minister and the board have to apply in considering the effect of a policy directive, and that is, whether it is consistent with sound business practices. Maybe the preferred wording would have been, "Is it cost-effective?" This motion does not go far enough, to my mind, in that, even if it is not cost-effective, it still gives discretion to the minister to proceed with it notwithstanding, as long as the minister provides the board and the assembly with the reasons for that decision.

1030

I think many of us would agree that we have a problem with Hydro, with some things in the past that have not been beneficial, that in fact have been harmful to the ratepayers. They have done all kinds of good things as well, but they have done a few things that have been harmful. The objective here is to ensure that we do not do things that are harmful again. The reason I cannot support the motion is because it goes so far as to say that even if it is harmful you can still go ahead.

It also brings into question the role that the board of directors is to play. The bill is going to provide that they have to carry out these directives. I will take a look at the wording. "The directors shall ensure that policy directives are implemented promptly and efficiently." They are not accountable as long as they have acted honestly and in good faith. What about the old traditional common law duty to take care? Apparently they do not have to take care, as long as they act honestly and in good faith. Those are two very different legal tests.

The motion is good, but it is not good enough in the sense that it does not go far enough to ensure that whatever we do with Hydro is going to be beneficial. It is a good thing, but it ain't good enough, so I cannot support it.

**Mr Farnan:** I am appreciative of the very constructive approach taken by Mr Jordan and his concern for accountability, because that echoes the government's intent to have real accountability in the process. When we look at Ontario Hydro, talking to subsection (2.4) of Mr Jordan's suggestion—"the board finds to be inconsistent with sound business practices"—Mr Eliesen was questioned on this issue while before the committee. I think his position marked out a very strong leadership. He simply said that if there were going to be a directive that would be inconsistent, the board certainly could make an issue of that. When you look at his presentation Monday, he said:

"Public scrutiny of the provincial monopoly utility is a long-embedded and justifiable tradition in Ontario. In more recent times, we have been the object of study by the Porter commission and various select committee hearings in the 1970s."

"In the 1980s, our demand-supply plan underwent public and government review." There was the Hare report on nuclear safety, the Environmental Assessment Board and of course, for the past two decades, annual review by the Ontario Energy Board.

If members have problems, there are certainly checks and balances within the system. Again, while supporting the intent, in my view checks and balances exist. The recommendations that have been put forward reinforce the intent of Mr Jordan that accountability be built in. I will not be able to support his amendment on that ground, although I sympathize with the intent.

**Mr McGuinty:** Just in response to something Mr Farnan raised, he believes that there is a system of balances and checks here, that some kind of safety mechanism is available so that if a government gets carried away there are some means by which we can ensure that the ratepayers' interests would not be hurt. Again, I come back to Elliot Lake. In that instance the board of directors felt in its heart of hearts it was not a good thing to do, and what we ended up doing was getting an order in council which said: "Look, you'll go along with this and we're going to relieve you from legal responsibility." That is how the government dealt with it. I do not think that mechanism is in place.

The process which was used to create that order in council is essentially one that is embodied in Bill 118 now. It says: "You're going to have to go along with this expeditiously. Anything we do in terms of policy directive is deemed to be in the interests of the corporation, so don't worry about that. We know what's best. You just rubber-stamp it. Furthermore, as long as you act honestly"—what kind of test is that, to act honestly? Surely to God we can count on them to act honestly and in good faith. As long as they do those two things then they are off the hook. They just have to go along with what the government says. I do not think that lends much comfort to the ratepayers of the province. There is just not enough protection available to them.

**Mr Farnan:** I find Mr McGuinty's arguments very seductive, but fundamentally wrong. I suppose the bottom line is that as a result of the September 6 election New Democrats got the right to govern in Ontario. It is not an unrealistic thing for a party that elects 74 of 130 members to consider that it had a mandate from the people to govern. It is not an unreasonable thing when you are talking about crown corporations that the crown corporations would be sensitive to the broad policy directions and principles of the governing party.

If you take northern Ontario transportation, for example, if a crown corporation or a board under crown authority said, "We won't service any bus routes into the small villages. We'll only take the profitable routes," would that be a policy initiative that was in contradiction to the broad principles for which this was in place? I believe—there is no doubt in my mind—that there is a philosophical view and broad principles, principles that we are very proud of.

What we are doing here is bringing forward legislation that is very sensitive to Ontario Hydro, giving it its arm's-

length independence, but at the same time reaffirming the sense that there are principles the government is committed to. You do not infringe on an individual's rights, but certainly one would anticipate that there would be sensitivity. Mr Eliesen was very clear. If there were a direction that infringed upon the operational decision-making, that was contrary to what the board felt were the best interests, it had a choice. They could say, "No, we're not going to." There could be a showdown.

Indeed, that is fair. If the government crosses the line, there should be a showdown, but because the government is sensitive and wants to work in harmony with Hydro, it will have that distance and opportunity to be accountable within its own right. But certainly the taxpayers of Ontario must feel that this government wants to have some checks and balances on a corporation such as Ontario Hydro. To have anything less would be unacceptable, I believe, to the taxpayers of Ontario.

**Mr Carr:** I just want to comment a little on the checks and balances. Mr Farnan talked about the mandate to govern. I do not think there are very many people who voted for the NDP based on its platform with regard to Ontario Hydro. As a matter of fact I, who obviously was very involved in it, was not even aware that the government was going to be more involved in Ontario Hydro. I do not remember seeing anything on it, although I guess we should not be surprised when governments take everything they plan to do and say it is a result of why they were elected. I guess we should not be surprised, when a socialist government is elected, to see that there is more government involvement, because that is what this really boils down to: more government involvement in Ontario Hydro.

I honestly, truly do not believe that people believe government involvement is the best thing. I think in a broad sense this would include NDP supporters and Liberals and Conservatives, saying that if a corporation is allowed to proceed, it will probably proceed in a manner much better than politicians, who have been accused—again, I say this in a non-political manner, because all political stripes have been doing things in order to make themselves look good rather than in the interests of the corporation.

To say that this was part of the reason the NDP was elected—I can tell you that is not true. That is totally false. Most people did not even have any ideas, and I suspect even the members elected here did not know what their policy was or that they were planning to basically socialize Ontario Hydro.

1040

**Ms S. Murdock:** What about checks and balances?

**Mr Carr:** Getting back to the checks and balances of subsection (2.2), the reason I brought this up—I did not jump in with the mandate; it was Mr Farnan who brought it up. To say you had other areas on which you may have been elected, three or four other areas, would be true, but to come in and say, "We got elected because of this policy," I think is definitely not true. Maybe that is not what Mike meant to say, but I do believe that people should not be surprised, when they elect a socialist government, that they are going to see more government involvement. I mean,

that is what socialism is all about. So in that regard people had better be very careful, because when you vote on these three or four other things, as a tail-on you might get more government involvement in things than you necessarily want.

Subsection (2.2) basically says we need to have public input. All I am saying is that if the government has a directive and the board of directors agrees with it, I have no problem. That should be the checks and balances. If the board of directors disagrees with the government policy—and that is what subsection (2.2) does—all we are saying is let's bring it out in the open so people will be aware of it.

What I fear will happen as a result of this bill is that people will not be aware of it. Programs will come in—we have heard some of the examples here—where costs go up dramatically, and at the end of the day people will see their bills go up and not understand why. I think it is typical of politicians to try to keep that away from them, why costs are going up. All I am saying is to be honest with the people. If it is socialist policy that you are going to do whatever it is, whether it be Elliot Lake or whatever, at least be honest with the people.

If the board of directors says, "There are no financial considerations in this and we agree with it," I have no problem; we should not even be talking about those things. But if in fact the board of directors disagrees, I think at that time the alarm bells should go off and we should let the public know. That is why we are saying do it through the assembly.

Our system of checks and balances is such that the assembly is where, because we will have—I hate to use this word, and it is not necessarily this—an adversarial approach, there are checks and balances with the opposition. If the board of directors disagrees, bring it back and at least be honest with the people so they know what is happening, rather than the way it will be now, which is that when costs go up, two years later people say, "Why in heck did my costs go up?" They do not know. All I am saying is let's be honest with the people. If we work on that principle, the government of the day has a mandate to manage and govern for four years. Go ahead and proceed with it, justify it all you want, but at least let's have the people know why their costs will be going up.

**The Vice-Chair:** Thank you, Mr Carr. I know you wish to thank the members of the government caucus for their assistance in helping you make your arguments during that.

**Ms S. Murdock:** You woke everybody up.

**Mr Carr:** I was not going to speak.

**Mr McGuinty:** Mr Farnan raised a good point, which is that certainly when a government is elected, it does not matter what kind of numbers or what kind of percentage of the vote they got, those are the rules we play by. The NDP is now in power and it has certain policies it would like to put in place. That is fair game.

At the same time, you should keep in mind that any legislation you put in place will of course enable ensuing governments to profit from it in order to put their policy in place. Again, there is nothing wrong with that except that

there has to be some concern shown for putting in place as well some kind of system that is going to ensure that there is somebody out there all the time who has the ratepayers' interests first and foremost.

If, heaven forbid, the Conservatives won the next election and if our good friend here Mr Jordan was made Minister of Energy, we would have a slowpoke reactor in all our backyards. He could do that with these policy directives, just to give you an example. I say that, of course, Mr Jordan, in good jest. But it gives you an understanding, an inkling, of the kind of abuse that this system is prone to, because there is no real check and balance in here.

Furthermore, we have a CEO and chair who is hired by the government of the day, which makes it even more difficult for that one person to say: "Hang on a second here. You know, notwithstanding the fact that you have hired me, I don't want to go along with that because I feel it is not in the interests of the corporation." Again, for the reasons I referred to, the other provisions contained within Bill 118, the board of directors really is not going to be able to have much power, much ability to say, "No, I don't think that is in the interests of ratepayers."

**The Vice-Chair:** Thank you, Mr McGuinty. Mr Jordan, I believe, has a couple of quick words that he was just interjecting.

**Mr Jordan:** I would just like to comment on my colleague's reference to nuclear energy as a source. He may not be that far wrong, in that if you believe in progress and future accomplishments in this province, there could in fact be a power cell in each house that would provide the energy for residential use. That is one reason I am concerned that we are turning our back on the research department of Ontario Hydro and putting the policies or ideology of government ahead of all of that section of Ontario Hydro, because we spend a lot of money on it. Candu 3 is just coming in, which is only a 450-megawatt plant, as compared to the Darlington one. So the progress is ongoing.

I thank Mr McGuinty for bringing that to my attention, and you, Mr Chair, for allowing me to remind myself and the government that research is going to go on whether it is done by Ontario Hydro or not. There are going to be new energy sources, and I certainly support that. At the present time, in studying the 25-year demand-supply plan that went across the province to every municipality, I support that also because of the amount of study and research that went into it. The base supply source most benign to the environment was established without doubt in that document as using uranium to heat the water to make the steam to turn the generator.

**Mr Brown:** I find this discussion rather interesting if not wide-ranging, but Mr Farnan brought up something that I thought was quite interesting. He compared Ontario Hydro with the Ontario Northland Transportation Commission, which some of us heard about last week. One of the interesting comparisons there is that government does give Ontario Northland directives. It does say to them, "Look, you've got to provide ferry service from Tobemory to South Baymouth on a reliable basis," and it tells

Ontario Northland how to do that. It does not make money, but it provides a valuable service that needs to happen.

The interesting part about that is that when government forces this corporation to do something, it pays it. It says: "You can't do this economically. This doesn't make good business sense. No business would do this, but it is a service that has to be provided." We would all agree with that. So government then says, "Here is the money to pay for it." That does not happen here with Ontario Hydro; that does not happen with this legislation.

If the government, for whatever good reason—I can conceive of some good reasons to do some things using Ontario Hydro. But it seems to me that if you are going to say this is outside of, in Mr Jordan's words, sound business practice, or what we believe to be cost-effective approaches, why should the government of Ontario not foot the bill?

1050

I think the comparison Mr Farnan made to Ontario Northland is a good one, and I think it brings forth what Mr Jordan is trying to get at here. I do not suspect Mr Jordan would have great difficulty if the corporation was to follow a government directive that was not cost-effective or sound business practice and the government of the day was willing to pay the freight, but it is not. The government of the day is saying, "Ontario Hydro, you do it, and your ratepayers will pay for it."

I cannot support this because I do not think it goes far enough either, but I think Mr Jordan is just trying to make sure these things are in the public domain, that everyone knows what has happened and that the people who are going to have to pay the freight know they are going to have to pay the freight. I do not think that is unreasonable.

**Mr Farnan:** I have just a very brief comment to suggest that Mr Brown's comments from the hearings we went through last week have been extremely selective.

**Mr McGuinty:** I know Ms Murdock was interested in hearing some more, so in an effort to appease that appetite, I will speak further. Just one comment, if that is possible. If we each went back home to our riding, in a crowded room, and we got up on some kind of podium and said, "Listen, we've got a problem with a very large organization, some 30,000 or 35,000 people and \$7 billion in annual revenues. It's got a lot of people and a lot of them are, we feel, overpaid. They've made some decisions in the past which have cost us a great deal, so what we're going to do to attack this problem is to put the politicians in charge," I think that you would have some difficulty gaining support for that kind of an approach.

We have an opportunity to do something here, which is to look beyond the present and, with some vision, attempt to put in place some kind of system which is going to prevent us, the politicians, from abusing the relationship that we have been able to abuse over the years with Ontario Hydro. Unless we accord some kind of decent authority to the board of directors, we are not going to achieve that objective. We are going to lose this opportunity here to reach beyond the present and show that we have vision.

**Mr Brown:** I really think Mr Farnan maybe misunderstood me when I was talking about Ontario Northland,

because it certainly was not highly selective. All their operations work exactly the same, and he knows that.

Having said that, I will point to another arm's-length body, the Ontario Energy Board, which, when it reviewed Hydro's conservation efficiency plans, was not very impressed with its actual performance during the last year. I cannot recall the exact wording, but the gist was that these are not cost-effective policies and you should do something about that; you should make sure the ratepayers get their money's worth.

I really cannot understand why the government is having so much trouble with giving the board some real responsibility, and why the government is so adamant that it keep this a closed shop and that it just be run out of the corner office.

**The Vice-Chair:** Any further discussion? Seeing no further discussion, I will put the question on Mr Jordan's amendment. All those in favour of Mr Jordan's amendment, please signify. Opposed?

Motion negatived.

**The Vice-Chair:** I believe, Mr Jordan, you have a further amendment.

**Mr Jordan:** Yes. I am going to ask Mr Carr to present it, please.

**Mr Carr:** Since we lost two with him, I am going to try.

**The Vice-Chair:** Mr Carr moves that subsection 10(5) of the act, as set out in section 2 of the bill, be struck out and the following substituted:

"Report by board

"(5) The board shall report to the minister and the assembly whenever it exercises a power or performs a duty to which a policy directive relates and shall indicate the effect of the implementation of the directive on the corporation's operations and financial position and on power rates and rate increases."

Do you have further explanation of the amendment you wish to put forward at this time?

**Mr Carr:** Yes. The reason again is a lot of what we have been talking about and I suspect is the crux of this bill. We are elected to represent the public. I think everyone would agree the biggest concern for the public is the cost of hydro. As well, most of us know that one of the greatest reasons for any company that uses a tremendous amount of power to come to Ontario has been that the cost of our energy has been very competitive vis-à-vis the rest of the world. In fact, it is probably one of the biggest factors why people in the past have come to this province when they are big users of power. The public is concerned about cost.

I believe one of the Hydro board's duties is to control the expenditures and costs. What we are saying again is that if there is something that comes up that they disagree with, the government does have the mandate to proceed with it, because ultimately the government of the day does have control over it. But what we should do is to be able to assess the financial cost from what the board of directors says so the public is aware so they can either agree or disagree with the government, to agree in order to say it is

worth it and Ontario Hydro should be proceeding in this direction, or to disagree. All we are saying is that we need to know, and I am talking about the general public now, what the cost will be and how it will affect us.

In these checks and balances we are talking about, I have complete confidence that the corporation will be able to assess the situation, whether it is purchase of a company it is being asked to do for a government or whatever, and say: "Okay, this is what it's going to cost as a result of the government's initiatives. This is what it will cost you, Mr Public, in terms of increased costs."

The government is going to proceed and we will be able to do it regardless, but I do believe we should lay everything out on the table so the public is aware of it, because it gets back to what I said before. If not, what we will have is that when we have dramatic increases in the cost of power in this province, people will be sitting back and saying, "How did this happen?" All we are saying is, open it up. At the end of the day, this government will be judged on its record. By trying to hide some of the financial statistics and not reporting them to the assembly, then I believe we do not do justice to the public.

There will be those who would say the board can talk about it anyway. By coming to the assembly, and whether we like it or not, this is the forum where it is done—sometimes, as we all know, if you hold a press conference, you probably get more public knowledge than something coming into the assembly and being debated upstairs—but the fact of the matter is that our system is that the elected officials debate public policy like this in the assembly. That is our system, unless we plan on changing it.

We are saying that if something is going to affect us fundamentally, as Hydro power rates will, then we need to have the public input through the elected officials so we will all be accountable. At the end of the day, the people may agree with the approach and say what somebody like Mr Farnan is doing is correct and elect him back in. They may say, "We disagree, because Gary, you disagreed with what Hydro was doing, so we're going to throw you out." All I am saying is that the public needs to have everything on the table, and then I have complete and absolute faith the public will make the right decisions.

1100

The perception we give by not introducing or passing amendments like this—and we have tried to do it in a constructive manner, knowing that you are going to want to have more government involvement in Ontario Hydro. We are saying, if you are going to proceed that way, as a bit of a compromise to the opposition parties, which have spoken at length about their concerns with that, okay, if you are going to do it, let's have a process so the cards will all be on the table and the government will be accountable for its action and the board of directors, if it disagrees, will be able to say, with hard facts, "This is how much it is going to cost."

If we have the board report to the ministry and the assembly, the minister may say: "No, it isn't going to be that amount. It may be half that." Legitimate debate over costs will be there. What we are saying is that we need to have that debate, and then at the end of the day the public

can say, "Yes, the minister is making the right decisions, we believe him or her," or, "No, we do not and we disagree."

It will not change things. The government has a mandate to proceed with this. What we have attempted to do is be constructive and say, "Hey, let's put a couple of checks and balances in here so the public will know exactly what we are doing." I think as a fundamental principle, all parties should be able to support—and I think we do. At the end of the day, whatever we do we should be judged on, but we need to give a forum so the public knows what is going on. That is what this amendment attempts to do, so obviously I will be supporting it.

**The Vice-Chair:** Debate on the proposed amendment, Mr Huget?

**Mr Huget:** The minister already reports to the Legislature about Hydro activity, and policy directives will become public after being approved by the Lieutenant Governor in Council under the normal process of gazetting and OIC regulations. Our government motion deals with the board reporting to the minister. The minister in turn would report to the Legislature. Further, the Ontario Energy Board already reviews Hydro's costs annually in a public process where intervenors are funded and Hydro costs are scrutinized there, so we cannot support the motion.

**Mr McGuinty:** I have a question for the parliamentary assistant. He made reference to the normal process for disclosure of OICs. Is that what it is?

**Mr Huget:** Orders in council.

**Mr McGuinty:** How does that work? What is that normal process?

**Mr Ciemiega:** It is my understanding that the normal process would be a posting outside the cabinet office, and anyone can walk up there and take a look at the orders in council.

**Mr McGuinty:** And that is it? It is not published in the Ontario Gazette or—

**Mr Ciemiega:** Oh, yes, they can be. All regulations have to be, and I would assume—

**Mr McGuinty:** Orders in council are published there?

**Mr Ciemiega:** Not all orders in council, no. These would be in the nature of a regulation, I believe. Therefore I would think they would be published as a matter of course.

**Mr McGuinty:** Thank you. It is a publication really of the policy directive, not formally of the implications arising from the implementation of the directive. That kind of publication is grossly inadequate in terms of making the public aware of the existence of the policy directive and of its implications.

When Mr Ferguson was minister, he spoke of how this was going to improve the openness and he talked about transparency. Here is an amendment which would simply require that this kind of information be formally disclosed in a specific manner so both the elected representatives and through them the public at large would be made aware specifically of the effects of implementing a directive, in particular on the financial position and on the rates. If there

is anything ratepayers are sensitive to, it is rates. They are concerned with reliability, but particularly rates at this time.

I think this kind of amendment is eminently reasonable. It is in keeping with the government's stated intention to provide for greater openness and transparency. To have an order in council posted or published in some abstract Gazette, which I would think 95% of the people of this province have never heard of, really is not dealing with this properly and it is not accomplishing the aims of openness and transparency.

**Mr Carr:** The point I just want to make as well is that we sometimes get caught up in saying, "There are the procedures to be aware of it." I venture to say that the vast majority of the people of this province are not even aware of this bill being before a committee. Those in the know are, but all the average person wants to know is, "How will it affect me?" As a matter of fact, I was reading last night something very ironic about the United States. It said there are more people down there who know their cholesterol level than who their representative is in the Congress or the Senate, which was kind of an interesting standpoint.

When we are talking as intricately as we are about this bill, people sometimes assume that the checks and balances and some posting is going to be available to the people to be able to take it out. What I am saying is to give the board of directors the mandate that if there is something it disagrees with, it will have the responsibility to make the views known to the assembly. The assembly will then act in accordance and make the decisions of how it would like to proceed. All we are saying is that we need to have a forum so the board of directors can come out with the financial position. If they disagree with a directive from the government of the day, they have the process to come out and make it known to the assembly in a formal manner that will allow the elected members to then make the decisions.

Again, we hide these little things in Gazettes I suspect none of the members even read and we assume that somehow is reporting. I guess we justify to the people who are out there that this is how it is done. I agree that the public does not need to know all the details of the things that are reported in the Gazette. The reason we do not read it is because a lot of it does not affect us. We are talking about the broader issue, but when we are talking about something as fundamental as the energy and power future in this province, then I do believe the board of directors has a responsibility to make the elected officials aware of the differences from a financial standpoint so the elected officials of the day can debate it and the opposition parties, under our system, can make their views known. If the opposition parties believe it is worthwhile proceeding with, then they can use the many avenues that are open to them, and if in fact the change in the financial position is not that great, I suspect most of them would not. All we are saying is that as a bit of a compromise we are attempting to put this in. When you say the checks and balances are there now, I do not believe they are sufficient.

**Mr Jordan:** I would just like to follow up on Mr Carr's presentation a bit, relative to the effect of the directives on power rates and rate increases. These are the things the people out in the riding, as he points out, are not so concerned about. It is available in a certain office; you can go in and read it. They want to know, "Why are we facing an 11.8% increase in our Hydro bill?" When they come into the constituency office, do not start telling them that it was explained in some Gazette and they should know all about it. That is not acceptable.

What we are trying to do here with this is have it—it has been discussed in the Legislature. It will probably hit the press with the purpose of the directive, its reason for being implemented, and it could be that the net result would be a decrease in rates, we do not know, depending on what the directive would be.

The worst thing I find to do is to keep information from a customer, especially in a public utility. If you keep them informed, especially on the bottom line, how their bill is going to be affected and why—for instance, at the present time Ontario Hydro is still building up to a kilometre of line, I believe, in a subdivision, which to me is very questionable. That was an old policy that was there when they were trying to develop rural Ontario, and here a developer comes in and buys a parcel of land and ends up with free distribution line built by Ontario Hydro into that subdivision. That is a policy that is there, but the intent of the policy, looking back, was to extend electricity into the rural areas, not to assist somebody to develop a subdivision.

1110

As industry has said, anything that makes uncertainty of supply and uncertainty of cost or that under these present conditions is going to affect the cost upward regardless, you must really explain with great care the reasoning behind it. We cannot just say, "It's the cost of bringing Darlington on." That does not wash any more.

You have to really show: "Okay, I have a cost of bringing Darlington on, but I'm going to cut costs here and I'm going to cut costs over there. I don't have a marketing program any more. My engineering is going to be cut back." There are many areas of the operation I am sure you would be looking at with private industry if you could not just reach out and get more income by raising the rates.

Rather than the government looking at this as us nitpicking to have something brought into the Legislature that is not necessary I would prefer that it looked at it as a source of information to the people, and especially to the customer who is going to pay the bill.

**Mr Brown:** I think Mr Jordan's amendment is eminently reasonable. I think the way the accountability can really be seen to be happening is for announcements of this type to be made in the Legislature. I think back to the last year or so. Day upon day would go by in the Legislature without any ministerial announcements. I do not think this would really crowd the schedule too much. I do not suspect there will be that many.

I really cannot understand why any Minister of Energy and any cabinet that was so proud of its energy initiatives and its directives to Ontario Hydro would not want to

come to the House and tell the people of Ontario what they are about, what they will cost and how they will affect the ratepayer.

I can think of no reason to do that, to say that it is considered a yea. Quite frankly not a lot of people are aware of that, as other members have told us, and it does not provide some of the other things this amendment does. The effect on the power rates and the rate increases and the financial position would not be included in the Gazette. I see no reason for a government not to want to bring this forward if it is open and accountable, and that is what it is trying to make us believe. I am looking for a reason why a government that purports to be open and accountable does not want to do this.

I think Mr Jordan is providing us with a very reasonable amendment that would not inhibit the Minister of Energy, that would not inhibit the cabinet and that would not inhibit Hydro. All the information that would be made public here we are told is readily available.

To not come to the House and to tell the people of Ontario how proud they are to issue this policy directive just seems to me to be totally inconsistent with the government's stated goals. I would ask the parliamentary assistant to consider this amendment and urge his members to vote for it.

**The Vice-Chair:** Thank you, Mr Brown. I believe he has been considering and wishes to respond at this moment.

**Mr Huget:** I will just remind the members of the committee of what I said earlier. The posting process and gazetting process is available to the press gallery for one thing, and I think there is sort of an understanding that the press will write about items it considers to be news. If indeed the interest level is as high as Mr Carr, for example, would suggest it is in the Ontario, it would most certainly be news. It is not something that will be buried in a drawer somewhere.

The Ontario Energy Board is the public forum that reviews all rate issues and all cost issues. It is not only a public forum, but intervenor funding is provided in that public forum. There certainly is already a very open process in terms of dealing with these issues. We just cannot support the motion.

**Mr Brown:** I am quite disturbed to hear that. I really believe that what Mr Huget says is totally true, but why would the government not be willing to take that one more step? Why would the government not want the Minister of Energy, on one of the many days that no minister is standing up, telling the people of Ontario what he or she is very proud to be doing? This is a government that appears to be afraid to meet the House these days. They have postponed the opening of the House. We are not seeing this openness and this accountability that we are hearing so much rhetoric about.

If the government were to meet the House and the government were to have ministers who wanted to tell the people of Ontario what was going on, I think it would adopt this amendment.

**Mr Jamison:** I think the parliamentary assistant answered the question. There is a body set up to review all

the decisions that are made by Ontario Hydro in a very in-depth way to make recommendations. Certainly that has happened in the past and there is no reason why that would not happen in the future.

I get an overriding sense from both the official opposition and the third party that there is something tremendous here to fear. Again and again this position keeps coming back—and I think the parliamentary assistant has made it very clear—that the mechanisms are there to scrutinize the spending of Hydro and the directions at Hydro and the rate increases. All those things are there in a fashion that is more than fair as far as being able to assess candidly the point of view of Hydro when the decisions are made. Having said that, I certainly cannot support this motion.

**The Vice-Chair:** Further debate? Seeing none, all those in favour on Mr Carr's proposed amendment? Opposed?

Motion negated.

**Mr Farnan:** I wonder if it would be reasonable at this stage to take short break for the convenience of the committee. Certainly there are members who have indicated that they would appreciate having a five-minute break.

**The Vice-Chair:** Can we get a general consensus from the committee? There is also one member who has asked that we recess 10 or 15 minutes early because of an appointment the member has.

**Mr Farnan:** I think we can do both.

**The Vice-Chair:** You think we can do both. Mr Huget.

**Mr Huget:** If we could read my motion into the record and then adjourn for five minutes, that would be fine. That will be part of the process done. It is up to you.

**The Vice-Chair:** It is your motion.

**Mr Huget:** It is your call, sir.

**The Vice-Chair:** I believe there is a Liberal motion prior to yours, Mr Huget.

I have no problem with a five-minute recess so that people can stretch their legs, but I wish you to be back promptly in five minutes. We will stand recessed for five minutes.

The committee recessed at 1120.

1127

**The Vice-Chair:** Shall we, by mutual consent, wait until the other two come back before we have this vote? But we will start the debate. We will come back to order then, please.

Mr McGuinty moves that section 10 of the act, as set out in section 2 of the bill, be amended by adding the following subsection:

"Public notice

"(6) The minister shall within seven days of issuing a policy directive make the directive public."

**Mr McGuinty:** This is a very simple amendment. I think it is important to know what it is that I am not asking for here: I am not even asking for debate, I am not asking for consultation and I am not asking for the effects of

proposed or actual implementation of a policy directive. I am simply asking that the directive itself be made public.

One of the most thoughtful presenters I thought we heard from during our tour was a person who appeared before us in Kingston, I believe. This gentleman is the author of *Electric Empire: The Inside Story of Ontario Hydro*. He was the policy adviser to the former minister Jenny Carter and he was one of the architects of Bill 118. This man had obviously spent a great deal of time thinking about the problems relating to Ontario Hydro and he raised some potential solutions.

I thought he outlined the problems very effectively. I do not agree with all the solutions, but I want to quote from some of his presentation. I am not quoting from the actual text but from its reprinting in the *Kingston Whig-Standard*. It appeared in the February 3, 1992, edition: "When directives did come, they came in a secrecy which masked highly partisan pork-barrel politics." Here he is making reference to directives in the past. He then goes on to describe a particularly notorious example involving Premier Bill Davis and a uranium contract with Rio Algom. I think he referred to it as a sweetheart contract. He then goes on to say:

"This is the price of secret policy directives. The danger and the temptation for governments to use Hydro in this way will always remain, regardless of political stripe, as long as secrecy does. I am pleased to see that the proposed amendments will compel Hydro to follow the policy directions set up by Legislature, and I believe the changes to the Hydro board structure will help bring a broader public voice to the boardroom. However, I see no explicit requirement for cabinet or the Minister of Energy to publish the policy directives to Hydro."

Then this gentleman—I am trying to remember his name now, it escapes me—goes on to say: "Accordingly, I would like to see subsection 9a(1) amended to read: 'The minister may issue policy directives that have been approved by the Lieutenant Governor in Council, and such directives must be made public within 15 days of issuance.'"

I am going to use the example of the advice given by Paul McKay—that is the gentleman's name—policy adviser to Jenny Carter. He is one of the architects of Bill 118 and, I think, one of the most thoughtful thinkers on Ontario Hydro today. He indicated quite clearly the reasons why we should have a disclosure made. Again, it is important to keep in mind what I am not asking for: I am not asking for debate, although I think we should have it. I am not asking for consultation with the public, although I think we should have it. I am simply asking that the directive itself be made public; not the actual, proposed or potential impact of carrying out such a directive, simply that the directive itself be made public.

Paul McKay said we should make such disclosure within 15 days. I have reduced that period to seven days. Again, in keeping with the former minister's stated intention to bring about openness and transparency, I cannot for the life of me see why the government members would not go along with this amendment. I am anxious to hear—not assuming, of course, that they are going to oppose it—from them and to witness the mental gymnastics that

would have to go into opposing a simple amendment which makes the directive itself public. I thank you for your patience, Mr Chair.

**The Vice-Chair:** Discussion on Mr McGuinty's proposed amendment?

**Mr Huget:** I have to say again that a policy directive does not exist unless it is by order in council. I understand Mr McGuinty's concerns. Given the interest, I think we can make an undertaking to make them public within 15 days, but seven days is too short. We are willing to take the amendment with 15 days rather than the seven days.

**The Vice-Chair:** There are other people who wish to speak on it, so I will say Mr Jordan.

**Mr Carr:** That will give him time to think. Go ahead, sorry.

**Mr Jordan:** I would like to say that the position the government has just taken here seems reasonable in that, as presently worded, I take this to say that the directive would be made public before the board had even reviewed it or dealt with it. I take it now that the motion, as the government is willing to amend it, is that the order in council or the directive would have been presented to the board in 15 days. Following that, it would be made public. Is that correct?

**The Vice-Chair:** I would ask for some clarification.

**Mr Jennings:** Our understanding of it is that section 2 of the bill states: "The minister may issue policy directives that have been approved by the Lieutenant Governor in Council." The directives would not be issued until after they had received full cabinet approval, so the 15 days would be after cabinet approval plus the time taken to convey to Ontario Hydro.

The process of consultation with Ontario Hydro takes place before there is cabinet approval. Subsection 9a(2) says: "Before issuing a policy directive, the minister shall consult the board with respect to the content and effect of the directive on the corporation." The issuing would be after there has been consultation with the board of Hydro and after there has been formal approval by cabinet. Then the issuing would be conveying that to Ontario Hydro. We are saying that within 15 days of that it would be made public.

**Mr Jordan:** Actually the directive has been approved for action prior to the order in council. Is that what you are telling us?

**Mr Jennings:** It is not really a policy directive until it has been approved by the Lieutenant Governor in Council. Prior to that it is a proposed policy directive.

**Mr Jordan:** That has been dealt with by the board, sent back for approval by the—

**Mr Jennings:** The consultation process would take place before you actually have an LGIC-approved one. Once you have that approved, the issuing would be conveying that final directive to the board, and then we would be undertaking to make that public within 15 days.

**Mr Jordan:** I do not have a problem with that.

**Mr Carr:** I thought Dalton maybe wanted to comment on the change. I will wait, in light of the PA's announcement, to see if there is anybody else before I speak.

**Mr Farnan:** I have some questions. First of all, I would like to know what is meant by issuing a policy directive. "The minister shall within seven days of issuing a policy directive make the directive public." What is meant by "make the directive public"? How do you define that? What kind of communications? Is 15 days a shorter period of time than the appearance in the Gazette? Is this a precedent for the government for every conceivable piece of legislation, directives or regulations? That would be putting an unnecessary burden, in my view, upon all of the ministries.

Basically, the whole purpose of appearing in the Gazette is making it available to the public. Who decides what should be made public and how widely it should be made public? I think we have a system in place that actually addresses the needs of the province in terms of information. Unless I can be convinced that 15 days is a longer period of time than it would normally appear in the Gazette, I will not support this motion. If it is a shorter period, then it is adding an unnecessary and unrealistic expectation. There is no definition here of what "public" is, how far or how broadly that is communicated. I am looking for some answers before I make a decision on this.

**The Vice-Chair:** I ask the parliamentary assistant or someone for some clarification for Mr Farnan.

**Mr Jennings:** We would assume making it public is posting, similar to what is done for regulations and orders in council. My understanding is that for things to be gazetted the time period is something like 45 days, so this would be a shorter time period.

**Mr Farnan:** If I may respond to that, the whole system is designed in order that gazetting provides a purpose for all of these matters to come into the public domain. There are exceptional areas where it can be brought into the House in a direct statement in the Legislative Assembly and, if something is significantly important, it will indeed be brought directly into the House. I am sure the media, as the faithful watchdogs for the public of Ontario, would be very diligent in recognizing the fact that if there was a major issue that was not being brought into the House but simply being gazetted, it would be highlighted. I suggest to this committee—and I am going to vote against this amendment—the intent is good. We want to get information out but we must not put on unrealistic expectations. We want the information out. The process is already in place and I will be voting against the amendment.

**Mr Carr:** I would speak very briefly as well. I agree with Mike with regard to not wanting to impose new burdens. One of the criticisms I have is that sometimes as politicians we sit around dreaming up ways of protecting

ourselves. We have wound things up so that a lot of our programs do not work. I guess what we are getting at is what Mike was pointing out too: Anything that would be major with regard to the financial position I hope would be made public.

The only comment I will make is that how we do that is very important. To be helpful, I suggest that anything the government deems to be a policy that will affect the financial situation of the corporation should be highlighted somehow. I will support Mike in saying that I do not want to institute new procedures. I can just see the people in the government offices sitting there and thinking, "We've got the Gazette but, if it's a policy directive to Ontario Hydro, we're going to have to have this separate way of doing it."

All I am saying is that a major policy decision that will affect the financial situation should be brought to the attention of the public. Furthermore, my basic belief is that any policy directive the board of Hydro agrees with I do not want to hear about. I think that is a case of having the checks and balances. That is making a big assumption that the board is always going to be representative of the people and have quality people on there, and that is assuming we are going to have a broad base. That is not the case, because when the government gets to appoint the people it can then turn around and appoint the people. That is assuming we have the checks and balances in place. If we have a board there that is truly representative of the people, then I think that would be the checks and balances, and where the public should be involved is when there is debate.

The problem is that the government of the day gets to choose the people and—again it could be any political party—could elect people who could be puppets. There would be no debate because they would rubber-stamp everything that comes through. All I am getting at is that major decisions somehow need to be brought to the attention of the people. I think the parliamentary assistant is attempting to be cooperative in terms of the time frame. I agree with what Mike says. How we highlight it I do not know, but I believe something that will affect the corporation needs to be brought to the attention of the people.

**Mr McGuinty:** I am very pleased with the words I have heard from the parliamentary assistant. In view of the fact that it is quarter to and there has been a request that we adjourn at this point, perhaps we should adjourn. The government members would profit from the time over lunch to thoroughly consider the amendment and what I take to be the friendly amendment proposed by the parliamentary assistant.

**The Vice-Chair:** With that, I will call a recess until 2 o'clock. We will reconvene promptly at 2 o'clock for the afternoon clause-by-clause.

The committee recessed at 1145.

## AFTERNOON SITTING

The committee resumed at 1425.

**The Vice-Chair:** I believe we have a Liberal amendment that we were debating. All those in favour of the amendment proposed by Mr McGuinty?

**Mr McGuinty:** Could I ask for a recorded vote, please?

The committee divided on Mr McGuinty's motion, which was negated on the following vote:

## Ayes—3

Brown, Cleary, McGuinty.

## Nays—7

Farnan, Frankford, Huget, Jameson, Jordan, Murdock, S., Ward, B.

**The Vice-Chair:** The next amendment is a government motion.

Mr Huget moves that section 10 of the act, as set out in section 2 of the bill, be struck out and the following substituted:

## “Policy directives

“10(1) The minister may issue policy directives that have been approved by the Lieutenant Governor in Council on matters relating to the corporation's exercise of its powers and duties under this act.

## “Consultation

“(2) Before issuing a policy directive, the minister shall consult the board with respect to the content and effect of the directive on the corporation.

## “Best interests

“(3) Compliance with a policy directive shall be considered to be in the best interests of the corporation.

## “Power

“(4) The corporation may do such things as in its opinion are necessary, usual or incidental to the furtherance of the objectives set out in a policy directive.

## “Directors

“(5) The directors shall ensure that policy directives are implemented promptly and efficiently.

## “Liability

“(6) A director is not accountable for any consequences arising from the implementation of a policy directive if he or she acted honestly and in good faith in relation to its implementation.

## “Reports

“(7) The board shall report to the minister whenever it exercises a power or performs a duty to which a policy directive relates.

## “Notice

“(8) Where a policy directive is issued under subsection (1), the minister shall cause it to be published in the Ontario Gazette and shall give or cause to be given notice of the directive to all members of the assembly.”

**Mr Huget:** The purpose of the motion is to ensure that policy directives can be issued only on matters relating to the corporation's exercise of its powers and duties

under the Power Corporation Act. Subsections (3) and (4) appearing in the proposed new section 10 are being transposed from section 6 of the bill, which is to be struck out. Section 6 would have amended the act to include in the purpose and business of the corporation the objectives set out in any policy directive.

**Mr McGuinty:** Unless I am mistaken, these are essentially the same provisions found within Bill 118, sections 2 and 6. Subsection (8), I guess, is new, the one we have just had notice of. There is now a restriction being applied to the directors “on matters relating to the corporation's exercise of its powers and duties under this act.” I believe I am correct in those comments.

On that basis, I am very concerned about the effect of these provisions and I remain so because of all the objections that were raised to them during the course of our work as a committee on the road. It brings me back to something I mentioned earlier today; that is, this business of a policy directive having to be connected with or somehow falling within the mandate of Hydro. The question is, who is going to make that decision, and where is it stated in objective terms so that a third party acting objectively could determine whether a policy directive actually dealt with a matter relating to the corporation's exercise of its powers and duties under this act?

Now there are ways we could have restricted that, but in fact what we have done here through these other provisions contained within this amendment is to ensure that whatever the government has to say in these matters is going to go ahead, notwithstanding. The first matter is subsection 10(3), that provision entitled “Best interests.” It says, “Compliance with a policy directive shall be considered to be in the best interests of the corporation.” That is a deeming provision, a very powerful provision. It says: “When you do as you're told, it doesn't really matter what it is, in fact or in law. We're just going to deem it to be in the best interests of the corporation. Forget the facts, forget the opinions. It's just going to be that way. It's as simple as that.” That is a very dangerous provision. Deeming provisions are used only rarely, and with good reason. I think ratepayers have much to fear as a result of this.

That ties in with subsection 10(6), the one relating to liability. This provides directions, with a general absolution for any consequences arising from going along with a policy directive as long as they acted honestly and in good faith. As I said earlier today, I hope our directors are always acting honestly. Surely we can count on our directors to act honestly and we can also count on them to act in good faith.

I had an earlier amendment which would have imposed a positive duty, which exists in common law anyway, requiring that the directors exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Now they are relieved of that obligation. All they have to do is act honestly and in good faith, and if they do those two things—they do not have to do

the third—then they are off the hook; they are not accountable for consequences.

Why would you put that kind of provision in the bill? "Don't worry about the consequences just as long as you do these two things." Then again, we are deeming it to be in the interests of the corporation anyway. It is a rather elaborate bit of architecture in that it gets around, usurps the proper role of the board of directors.

The way I look at it, as a ratepayer, the only people who are accountable to me in law are my directors. They are the people who through a 100-year-old tradition in common law owe me a fiduciary duty. They are the people who are to look out for my interests, not my political representative. He does not owe me a fiduciary duty. Governments, you know, are prone to do things for political reasons; that is the nature of the beast. But I want somebody who is there at all times looking out for my interests above any others, and that is the board of directors. This provision effectively emasculates the board of directors. They are no longer able to act in any real way to protect my interests, and that is very regrettable.

I should comment as well on subsection 10(8), just recently added to the amendment. I think that strikes out in a very positive direction and I commend the parliamentary assistant for taking that step. However, to say that we are going to give notice gets us halfway there. If we want to go the rest of the way, we have to establish a time frame. Is that notice to be within 30 days, 60 days, one year, two years? There is no limitation whatsoever stipulated here, and I do not think it is unreasonable to provide some kind of restriction in terms of a time frame, at least in so far as giving notice to the offices of the members of the assembly is concerned.

**Mr Jordan:** I too would like to express my recognition of the government's move towards attempting to make the members of the Legislative Assembly aware of the directives. My colleague has certainly pointed out what could be a shortcoming in it, no question, that of, which year would I be notified, or should I depend on the Gazette to know about the directive? I assume the intent is that at the same time as the directive was put in, or prior to that, the members of the assembly would be notified. However, it does not say that, as he has pointed out.

As we have travelled across the province, I have done a summary of all the ones who came before us, and there is not one here of any business interest, if you will, in the utility that is in favour of the government exercising the power of a policy directive. A policy statement and some confidence in the board and the chairman and chief executive officer are there now, in our opinion, and that is all that is required, even to the point where you want to have a moratorium on one form of energy, the use of uranium, as a means of heating water to create steam.

I still cannot see, even after listening to the chairman the other day, that you need the power you are vesting in the Minister of Energy over the chairman and chief executive officer at the board of Ontario Hydro. All these people, generally speaking, said, "Please withdraw the bill; it's not good legislation." It seems to me it has all been in vain as we listened to all those submissions. A lot of time was

spent on them. A lot of the important customers across the province took time and came.

This government still insists on giving the Minister of Energy that power to issue policy directives which shall be carried out immediately. Imagine. How are you going to define "immediately"? You are sitting on the board, you are a member of the board, and it is right in the act that as soon as you get this directive, you must carry it out immediately. Some of the board members have already indicated things have been put before them and they have been told, "We're going to vote on this in 15 minutes," when they need a week to study it.

1440

It would seem to me this is more serious than the government intended it to be. I think the government overreacted here in an attempt to take control of Ontario Hydro from the board and move it over to the Ministry of Energy. I do not know what staff they have added to the Ministry of Energy that is going to give it the wisdom and the research and everything that is required to operate a corporation of that size. I admit it allows for the directives to be discussed with the board prior to their being approved by cabinet, but I am sure the members of the Municipal Electric Association and the industrial customers and rural customers who came before the committee all across the province would all say, as I say: "We do not want that power in the hands of the government. Policy statements, yes; policy directives, no."

It is honourable to move to the extent that you are going to attempt to keep the assembly informed of the directives, but the fact that the government has taken that power, or deemed it necessary, really bothers me. The money we are paying the chairman and chief executive officer and the board of directors and the confidence that people have had in that group in the past have been completely removed, in my mind.

We were told yesterday, I believe, and throughout the hearings, "You can have freedom for day-to-day operations, but we are going to make the policy and we are going to give it to you through policy directives." That is how the corporation is going to be run, "Go ahead and do the day-to-day operations." If it was my company, I sure would not be paying that kind of money just for day-to-day operations, after I have set the framework and the whole bit. On behalf of the people who came before us and spoke so strongly against these directives, I just find it impossible to sit here and see this go ahead and become part of the Power Corporation Act.

**Mr Huget:** For the record, Mr Jordan has raised the issue of policy directives and he stated that policy directives will be implemented immediately. In fact, the section says that directors shall ensure that policy directives are implemented promptly and efficiently, not immediately.

This motion responds to public concerns about the scope of policy directives. Directives can only be given on matters relating to the corporation's exercise of its powers and duties under the act, and many environmental groups and individuals supported the directive power. The changes are being made to clarify the scope of policy directive issues

that will address most of the concerns raised by industry and the public utility commissions concerning the directive power. I think basically that is why we feel this is a good motion.

**Mr McGuinty:** I just think it would be useful to read into the record a small part of the brief we got from the Consumers' Association of Canada (Ontario). I thought this was a very thoughtful brief, and I think this group has a great deal of credibility in terms of looking out for the interests of consumers generally. In this capacity, of course, they were concerned with the interests of consumers of electricity who are ratepayers.

Section 7 on page 4 is entitled, "Language Which Anticipates Opposition by the Board to Policy Directives." It says, "The language in subsections 9a(3) and (4) and subsection 56ba(2) seems to anticipate opposition by the board to these policy directives. This leads one to suspect that policy directives are to be introduced which would force board members to act against their better judgement."

"Subsection 9a(3) requires that directors implement policy directives promptly. If directors choose not to implement a policy, they should resign. If they are seen to be merely dilatory, the Lieutenant Governor should ask for their resignations."

"Subsection 9a(4) seems to anticipate situations where members of the board are telling the minister that they are not prepared to be held responsible for the consequences of a directive. This situation should never arise. If the directors are that concerned about the consequences of a directive, then the minister should withdraw it or the director should resign."

"Section 56ba states that compliance with a policy directive shall be considered in the best interests of the corporation. Why does this have to be said? Would the minister be issuing policy directives which were not in the best interest of either the corporation or the electrical consumer?"

"CAC recommends that these sections be clarified or, better still, withdrawn."

**Mr Farnan:** I would just like to ask the parliamentary assistant, is this necessary? Is what is on the table redundant? Is it not already process, that it is published in the Gazette?

**Mr Huget:** Are you referring to subsection (8)?

**Mr Farnan:** Yes.

**Mr Huget:** It is and it is not. It is not necessarily redundant in that I do not think this type of clear direction exists anywhere else, but I will have Mr Ciemiega respond to you.

**Mr Ciemiega:** It is not clear that a policy directive would be a regulation, and if it is not a regulation, then under the Regulations Act it would not require publishing in the Ontario Gazette. The section makes it specific that, yes, you have to put it in the Ontario Gazette regardless of whether or not it is a regulation. So you have notice that way. On the other one, giving notice of the directive to all members of the assembly, we have a precedent for that; we have that in the Planning Act.

**Mr Farnan:** That was my second question. I was going to ask if there was a precedent.

**Mr Ciemiega:** Yes, there is.

**Mr Farnan:** I was wondering if indeed this was establishing a precedent.

**Mr Ciemiega:** No.

**Mr Farnan:** I think you have answered my question.

**Mr Ciemiega:** We have, in fact, a precedent.

**Mr Farnan:** I can support that.

**The Vice-Chair:** Thank you, Mr Farnan. Any further debate? Seeing no further debate, all those in favour of the amendment proposed by Mr Huget?

**Mr McGuinty:** Recorded vote.

The committee divided on Mr Huget's motion, which was agreed to on the following vote:

#### Ayes—6

Farnan, Frankford, Huget, Jamison, Murdock, S., Ward, B.

#### Nays—4

Brown, Cleary, Jordan, McGuinty.

Section 2, as amended, agreed to.

Section 3:

**The Vice-Chair:** Moving on to section 3 of the bill, I am impressed that we are actually off that page. I ask Mr Huget for his explanation of section 3.

**Mr Huget:** The purpose of this amendment is to make it clear that the corporation may apply its income to purposes that are authorized or required not only by the act but also by the regulations made under the act.

**The Vice-Chair:** Any discussion? I see a puzzled look, Mr McGuinty.

**Mr McGuinty:** You caught me off guard here. I assume that there is a very good reason for that. There is always a good reason for these things, right? I have no comments.

**The Vice-Chair:** You do not wish to speak. Anyone else wish to speak? Seeing no discussion, all those in favour of section 3? All those opposed?

Section 3 agreed to.

1450

**The Vice-Chair:** Mr McGuinty moves that the bill be amended by adding the following section:

3.1 Subsection 63(1) of the act is repealed and the following substituted:

"Business of the corporation

"(1) Except as otherwise provided by this act, the purposes and business of the corporation are the generation, transmission, distribution, supply, sale and use of power.

"Incidental powers

"(1.1) The corporation has power and authority to do all such things as in its opinion are necessary, usual or incidental to the furtherance of the purposes described in subsection (1) and to the carrying on of its business.

"Supply at cost

"(1.2) Except as otherwise authorized by this act, the corporation shall supply power to users in Ontario at the cost to the corporation of supplying the power.

"Idem

"(1.3) For the purposes of subsection (1.2), the cost to the corporation of supplying power does not include any charge for profit but does include charges authorized by sections 18, 19 and 20."

**Mr McGuinty:** This is an attempt to set out very clearly what the business of Hydro is; that is, the generation, transmission, distribution, supply, sale and use of power. It does not prevent Hydro from undertaking cost-effective energy conservation programs. It does prevent the government from compelling Hydro to do something that is not part of its business as set out in the act. The existing subsection 63(1) of the Power Corporation Act does not offer this protection. The existing section could mean that Hydro can also do anything the Lieutenant Governor in Council says it must do.

The section that deals with supply at cost makes it perfectly clear that Hydro's duty is to provide power at cost to users in Ontario. The Ontario Energy Board has for some years now indicated that Hydro should have some kind of return on equity. That would mean escalating rates. Whether Hydro has any equity, as it is defined accounting-wise, is a very real issue. There is no legislative authorization for the creation of equity, and this is essentially what the section is saying, "This is what Hydro is in the business of doing; secondly, when it supplies power, it has to be power at cost." There you have it.

**Mr Huget:** It is not clear what this motion is intended to achieve. The purposes and business, incidental powers and matters that can be included in the cost of power are already dealt with in the act. What can be included in the cost of power is already dealt with and defined extensively in section 92 of the Power Corporation Act. The purposes and business of Hydro are already set out in detail in section 65 of the Power Corporation Act and other sections. So we cannot support this amendment.

**Mr Jordan:** I would like to speak in support of this amendment because it is important. The interpretation at the present time of supplying power at reasonable cost and the interpretation of what is—it reads, "Except as otherwise provided by this act, the purposes and business of the corporation are the generation, transmission, distribution, supply, sale and use of power." What they told us as we went across the province was that they wanted Ontario Hydro to stick to its mandate of supplying power at cost.

It would appear from what we have heard from the government members and from the minister that the government at the present time can interpret certain responsibilities to be part of the corporation's duties and still be relative to providing power at cost. This, in our opinion, is far too broad an interpretation and therefore I think it would be to the ratepayers' advantage that they would clearly understand when they got their Hydro bill that this was the cost of carrying out the mandate of Ontario Hydro and that these broader interpretations of corporate duties and corporate responsibilities and other social responsibilities in the community would be isolated from that. They would be looked after, but they would come under the Ministry of Energy's budget or under some other budget,

not on my Hydro bill, please; it is high enough now, and I want to keep it relative to the cost of generating and transmitting power. So I speak very much in favour of this motion.

**The Vice-Chair:** Further discussion? Seeing none, all those in favour of the amendment? All those opposed?

Motion negatived.

Section 4:

**The Vice-Chair:** Mr McGuinty moves that section 4 of the bill be amended by adding the following subsection:

"(0.1) Subsection 64(2) of the act is repealed and the following substituted:

"Purpose of program

"(2) The purpose of an energy conservation program is to encourage the safe and efficient use of electrical energy."

**Mr McGuinty:** What I am doing here is attempting to restrict Hydro's conservation business to the conservation of electrical energy, not the conservation of other forms of energy. I think the conservation of other forms of energy should be looked after by the utility that happens to be supplying it, in conjunction with the Ministry of Energy. I think it is a mistake for the government to attempt to use Hydro to put in place some kind of all-encompassing energy policy. If you have a policy relating to Hydro, that is fine, but make sure it relates to the use of electricity and the conservation of electricity. If you have a concern with natural gas or oil or whatever else, put in place some other kind of mechanism to deal with it.

I have a copy here of the NDP Environmental Policy in the Turnaround Decade: A Review of Ontario NDP Environmental Policy, November 1990, put out by the environmental committee. The suggestion there in section 3.6.2 is, "The responsibility for achieving greater energy efficiency would be separated from Ontario Hydro and delivered by a crown agency responsible directly to the Minister of Energy."

I think on the face of it that has quite a bit of appeal, and it certainly runs counter to what the government intends to do with Hydro. Again, I do not think Hydro should properly be available to implement policies of energy conservation that have to do with conserving anything other than electricity. It is the Minister of Energy's job to promote energy conservation in its broader form, and the ministry can do that through cooperation with all energy suppliers. If the minister deems it is necessary that there be other kinds of legislation brought forward to accomplish that objective, then that is his business, but I do not think he should be doing it through Ontario Hydro.

1500

**Mr Huget:** This motion would narrow the scope of conservation programs to matters relating to the safe and efficient use of electrical energy. The motion would severely restrict Ontario Hydro's ability to implement its demand management programs and would probably prevent fuel-switching initiatives. The Power Corporation Act, as amended in 1981, subsection 64(2), already states that, "The purpose of an energy conservation program is to encourage the safe and efficient use and the conservation of all forms of energy." Consequently we cannot support this amendment.

**Mr Jordan:** From the standpoint that we are attempting to use Hydro as a sort of motherhood type of corporation for all energies, we have had the gas companies come before us and make presentations, and we have had the oil companies, the retailers' association, come before us and make presentations relative to their now sudden interest in energy conservation and efficiency.

I cannot help but recall when oil was 17 cents a gallon and electricity was 25% to 30% more per BTU than the other fuels, and in order to make it a feasible fuel for consideration by the customer, the energy audits had to be done, and they were done by Ontario Hydro. Ontario Hydro continued to do energy audits on any building regardless of the fuel that was being used.

I have had discussion with executive people of the other fossil fuels and they say they have nothing against sharing the cost of energy conservation, energy audits and so on, but for some reason this government is zeroing in that it is Ontario Hydro's responsibility to do the energy audits on all buildings, to carry the ball for energy efficiency across the province. The gas company at this particular time happens to be the one that is walking in to not only reap the benefits of free energy audits for all buildings but of providing the major source of fuel relative to fuel switching.

We feel that fuel switching is a term that should not be required in the Power Corporation Act, because any switching that is required can be handled by the marketplace and is being done right now very well by the marketplace. As Mr MacCarthy indicated the other day, he could not see any reason for Ontario Hydro to be supplementing fuel switching at the present time because the marketplace was looking after it.

The policy of this government to continue to whip Hydro into carrying the responsibility for all energies is not acceptable, and I do not believe that in all cases it has the backing of the municipal electrical utilities. I believe it was indicated by Mr MacCarthy that before they would implement such a policy in a municipality where there were elected utility representatives, that utility would be consulted. I think that is what the people were telling us as we went across the province: Let's keep Hydro Hydro and let's keep the cost of Hydro as stable as we can and not let other costs get involved in the cost of generating and transmitting electricity.

I really believe, as was stated two or three times on our presenting of this bill, we need to actually table this bill and back up for a minute and form a task force to look into all energies in Ontario. I plan later to present a motion to that effect as we progress. I will be voting in favour of the amendment.

**The Vice-Chair:** Further discussion? All those in favour of the amendment? Opposed?

Motion negatived.

**The Vice-Chair:** The next amendment is a government motion.

**Mr Hugert:** moves that section 4 of the bill be struck out and the following substituted:

"4(1) Subsection 64(3) of the act is repealed and the following substituted:

"Content of program

"(3) An energy conservation program may include, but is not limited to, the following:

"1. The safe use of energy.

"2. The improvement of an energy system in a building.

"3. The substitution of other forms of energy for electrical energy.

"4. The improvement of the capacity of a building to retain heat.

"5. The reduction of electrical energy use through more efficient use of energy.

"6. The shifting of electrical loads from times of high demand to times of lower demand.

"(2) Subsection 64(4) of the act is amended by striking out 'other' in the second line."

**Mr Hugert:** Ontario Hydro officials are concerned that the changes reflected in the bill are not wide enough. The new amendment to subsection 64(4) is simply consequential to the revised amendment to subsection 64(3). It is appropriate to delete the word "other" from the phrase "any other service" in subsection 64(4) because the word "service" will not appear in the opening words of the new subsection 64(3).

**Mr McGuinty:** Mr Chair, I am going to seek your guidance on this. I have the subsequent motion which I have been advised is properly presented as an amendment to the government's motion. I am wondering if this is the right time to do it. Do I move that amendment to this amendment now?

**The Vice-Chair:** In other words, what you are saying is you wish to debate both at the same time?

**Mr McGuinty:** I am not sure what the procedure is.

**The Vice-Chair:** Or do you wish to debate the amendment and then subsequently the other amendment? If you wish to introduce the other right now, it is my understanding, and I could be corrected by counsel, you would end up debating both at the same time.

1510

**Mr McGuinty:** All right, we will deal with this one first.

Interjections.

**Mr McGuinty:** My concern is that if I do not deal with my amendment first, then it will be lost.

**The Vice-Chair:** The clerk is advising that the proper way is that we deal with your amendment to the proposed amendment first.

**Mr McGuinty:** All right. I will move my amendment then.

**Mr Hugert:** Just a point of clarification: We are dealing with the Liberal motion first and then the government motion?

**The Vice-Chair:** I will get the clerk to clarify this.

**Clerk of the Committee:** You have moved your motion and that is on the floor now. It is my understanding

that Mr McGuinty is about to move an amendment to your amendment. That will be dealt with and then we will go back to your amendment and then we go to voting on the section.

**Mr Farnan:** I am not sure if you can word your amendment as such, as opposed to a separate motion here, because I think you have to read into the record where you will amend.

**Mr McGuinty:** I have some wording here, Mr Farnan. I will try it on you.

**The Vice-Chair:** Shall we proceed then?

**Mr McGuinty:** Yes. We see this wording as a result of the good efforts of our committee counsel here.

**The Vice-Chair:** Mr McGuinty moves that the government motion be amended by striking out subsection 64(3) of the act, as set out in the government motion, and substituting the following:

"Content of program:

"(3) An energy conservation program may provide information, advice and inspection services in respect of the use of electrical energy if in the opinion of the corporation these will result in cost savings to the corporation or to users of electrical energy.

"Idem

"(3.1) An energy conservation program may include, but is not limited to, the following:

"1. The safe use of electrical energy.

"2. The improvement of a system for the use of electrical energy in a building.

"3. The improvement of the capacity of a building to retain heat.

"4. The shifting of electrical loads from times of high demand to times of lower demand.

"Substitution of other forms of energy

"(3.2) An energy conservation program may include the substitution of other forms of energy for electrical energy if the substitution will result in cost savings to users of electrical energy.

"Priority to renewable energy sources

"(3.3) In any efforts made by the corporation to encourage users of electrical energy to switch to other forms of energy, the corporation shall give priority to renewable energy sources as a preferred substitute for electrical energy."

**Mr McGuinty:** The reason I am offering this amendment to the government motion is the concern we have and have registered earlier to ensure that Hydro's business is the business of electricity, the supply, generation and sale of electricity at cost, and the same has application in its energy conservation programs.

The first proviso contained within subsection (3), and it is an important proviso, says, "You can get into the energy conservation program business, but it has to result at all times in cost savings to the corporation or to users of electrical energy, not to users of other forms of energy and not to engage in activities for some esoteric reasons, but rather they have to result in black and white savings, savings that are going to register on the books at the end of the year."

I think subsection (3.1) is pretty well the same as the act today. Again, the references are to electrical energy and not allowing Hydro to participate in conservation programs that have the effect of conserving other forms of energy.

You will notice that in subsection (3.2) I say it is perfectly acceptable for Hydro to get into this business of fuel switching, but again there is a proviso, and it's very important: as long as it results in cost savings to users of electrical energy. I do not mind if we pay people to switch off electricity on to natural gas or oil as long as Hydro can show me, again in black and white, with numbers, that it is going to result in cost savings to me as a ratepayer.

Subsection (3.3) is something we should not be over-looking in all this discussion of fuel switching and environmental impact of use of energy. When we are trying to switch people off our non-renewables, surely we have an obligation to lend priority to renewable forms of energy, and that is what this does. It just says that if you are going to switch people off Hydro, that if you are going to switch people off electricity, let's give a priority to our renewable energy sources as a preferred substitute.

**Mr Hugot:** This motion would restrict conservation programs to information, advice and inspection services. Ontario Hydro has asked to be provided with more flexibility in the type of program that can be offered. I am glad to see the motion recognizes that in certain circumstances fuel switching is okay. The restriction on fuel switching in this motion is too restrictive.

Conservation programs will mean immediate cost savings for participants but in the short term increased costs for other electricity users. In the long term, all electricity users will benefit. References to cost qualifications are difficult to include in legislation from a drafting point of view and the corporation is required in any case to act in the best interests of its customers.

The support for renewables in the motion is consistent with government policy. However, it is clearly a policy matter and to enshrine it in legislation would limit the government's flexibility in modifying its policy. The matter is best dealt with in the memorandum of understanding between Hydro and the Minister of Energy, and we cannot support the motion.

**Mr Jordan:** I would like clarification from Mr McGuinty on subsection (3.2), "Substitution of other forms of energy." Are you stating there that you are willing to have Ontario Hydro supply funds for me to switch from an electric furnace to, say, a gas furnace?

**Mr McGuinty:** What I am saying as a general rule is that I do not mind what Hydro does in connection with fuel substitution as long as it results in net savings for me.

**Mr Jordan:** I have difficulty with the thinking that goes with that, in that as we discussed this bill across the province, that was one of the very strong points that was being made by the municipal utilities, that they were not in favour of using grants, if you will, to individual customers to allow them to provide them with a new gas furnace. Just the other day Mr MacCarthy mentioned here—they gave me the impression that they were not particularly in favour

of that either at Hydro, that they were more interested in letting the marketplace handle it for the present time and then, as it tended to slow down, they would look at providing perhaps loans to those who needed it, not as a blanket policy across the province. They did not get into the detail of how they were going to do it, but it is something they have not studied yet. I could not, in all fairness, support fuel switching other than it being controlled by the marketplace.

**Mr McGuinty:** Just to be clear on that, what I am saying as a ratepayer is that if Hydro can do anything that will save me money, that is a good thing.

1520

**Mr Brown:** I am pleased with Mr McGuinty's amendment. I think what it does is refocus the debate, as far as Ontario Hydro is concerned, on electrical energy. I think that is important. Many of us are uneasy with the concept that Ontario Hydro should be pursuing a policy that advocates conservation and energy efficiency in only one sector of the energy field. We are not asking the oil companies and the natural gas companies to do the same thing. We are not asking Shell Oil to subsidize the Ford Motor Co to come up with more efficient cars. Within this conservation and efficiency question, we are just dealing strictly with the electrical utility. I think Ontarians have reason to be very concerned about that. What Mr McGuinty is doing here is very clearly laying out what we all believe to be the role of the crown corporation that is charged with providing electricity at cost to the people of Ontario.

I have a question for the parliamentary assistant in this regard. It may apply more to his amendment than to this one, but as they deal with the same subject, I guess I could ask it now. You have talked about the \$6 billion that is to be spent on energy conservation and efficiency in Ontario and the \$8 billion that you project to supply the same amount if you were building new stations of one sort or another. That sounds really good. It sounds like a \$2-billion bargain for the consumers of the province.

What I am concerned about, however, is that obviously, if you have \$8-billion worth of new generating out there, somebody is paying for that. The load is increased, there are more units being purchased by the people of Ontario, and therefore Hydro is getting some return on that. Could somebody give me the numbers of what the net \$8 billion would be, if you follow my question? What I am really trying to get at is, at today's prices—I am not talking about changing the price for providing the load—what kind of revenue does that \$8-billion investment give us?

**Mr Huget:** I will defer to Mr Jennings.

**Mr Jennings:** Various comparisons can be used, depending on what type of generation would be used to supply the plants. If we were talking about a \$6-billion expenditure over the 1990s, the total that Ontario Hydro is expecting to reduce the load would be 5,200 megawatts by the year 2000. As a comparison, Darlington, which is a total of 3,600 megawatts, is projected to be \$13.5 billion in the final cost. We would expect that the costs would be somewhat higher than that for the next nuclear station.

**Mr Brown:** I am coming at your number, though. Your number was \$8 billion.

**Mr Jennings:** There was an \$8-billion to \$10-billion number. Again, it would depend on what generation was used.

**Mr Brown:** You must have known when you came up with that number.

**Mr Jennings:** If it was supplied by gas-fired combustion turbine units, it would be somewhere around \$8 billion, because it would be a bit more than \$1,000 a kilowatt, but then you would, of course, have the running costs of those. Those are the capital costs.

**Mr Brown:** Yes. What kind of revenue would they generate?

**Mr Jennings:** The operating revenue would depend on what the rates are at the time, but if you had to supply 5,000 megawatts, you would be talking about, say, 70% capacity. I would have to work out the number. It would not be that difficult. The point of the comparison is that people have to buy the power, but if you look at the total energy bill of the province, if you defer the need for building that station, the economic impact on the province is reduced if you do not have to incur that \$13.5 billion or that \$8 billion.

**Mr Brown:** We were talking about \$8 billion.

**Mr Jennings:** Okay, but the \$8 billion was the capital cost of that generating station. You still have to buy gas to run the generating station, so it is going to be more than \$8 billion that you defer with the \$6 billion.

**Mr Brown:** You must have some idea how much net revenue is available there at today's prices. There are people who are going to buy this product.

**Mr Jennings:** It is easy to work it out; I just multiply a couple of numbers together. But the basic point we are looking at is that those are dollars people do not have to spend. It is a reduced electricity bill for the province. If you look at the provincial economy as a whole, that is several billion dollars that is going to be available to be spent on something else.

**Mr Brown:** I am not following this. The \$8-billion worth of generation obviously is going to generate some revenue every year. If you use the kind of revenue we produce now, how much is that?

**Mr Jennings:** I can work out the number and give you the number, but the basic point is that there is not a benefit to having that additional revenue. You are saving people from spending that much money.

**Mr Brown:** No.

**Mr Jennings:** I understand your point, but I do not think you understand my point.

**Mr Brown:** My point is that if the \$8 billion is out there, fine. You just told me that and Mr Huget told me that in his opening statement. But there is a revenue offset to spending that \$8 billion. I want to know what the revenue offset is, because I do not have any idea what it is. That is why I am asking you. I might be able to decide whether \$6 billion is a good investment or whether maybe \$7 billion

would be a better investment or whether it should be \$5 billion or \$4 billion, depending on what the net is. Because if I am the Hydro consumer, the price per unit will be lower depending on what kind of numbers you can give me.

**Mr Jennings:** The rates, yes, but the \$8 billion would be recovered from rates, if it was a nuclear plant, over 40 years, or a combustion turbine unit might be 25 years. That would be recovered from rates on an annual basis at either a fortieth or 25%, plus the interest on that based on Hydro's debt, so it would be something like 10% on top of that.

**Mr Brown:** That is what I am asking. I have no way of figuring this out and I was hoping you did so you could tell me what this amount is.

**Mr Jennings:** If it was over 40 years, it would be \$200 million a year plus 10% on the declining balance. That is how it is recovered from rates.

**Mr Brown:** I understand how that works, but what is the net revenue after you work all those nice numbers out? I agree that they have to be worked out, but there is still a net revenue there.

**Mr Jennings:** I am saying what the net revenue is. You would have to recover that \$8 billion from rates.

**Mr Brown:** You have to recover the \$6 billion from rates too.

**Mr Jennings:** Some of that would be capitalized and some of that would be expense. Yes, it would be recovered from rates.

**Mr Brown:** Yes, they both have to be recovered. We have to get the \$6 billion or the \$8 billion from somewhere.

**Mr Jennings:** Yes.

**Mr Brown:** But with a conservation program of a \$6-billion investment, there is no offsetting revenue, zip. With the generation, there is at least some offsetting revenue. I want to know what that is so I will know whether \$6 billion is a good number or whether you should be at \$12 billion or \$4 billion. That is what I want to know.

1530

**Mr Jennings:** You are going to sell a certain amount of electricity in different cases. You are still going to have to recover the \$6 billion from rates and you are going to have to recover the \$8 billion plus the cost of running the plant from rates.

**Mr Brown:** I am talking about net revenue.

**Mr Jennings:** I know, but you are going to have lower revenue because you are selling less. That is a saving to the consumer in a total bill.

**Mr Brown:** Am I the only one having trouble with this?

**Mr Jordan:** You have spent \$6 billion. There is no revenue from that.

**Mr Brown:** There is no revenue from the \$6 billion. It is the \$8 billion that there will be some revenue from?

**Mr Jordan:** What is the net revenue per kilowatt-hour from a gas-fired—

**Mr Jennings:** It does not matter what the generation is; you are going to be selling the electricity. Currently the end block rate might be seven cents per kilowatt-hour. It does not matter where you have generated that. You look at the total average system cost, and you come up with the cost.

**Mr Brown:** Maybe we are talking about two different things.

**Mr Jordan:** There is no revenue from the investment.

**Mr Brown:** No, the \$6 billion gets you no revenue, zip.

Interjections.

**The Vice-Chair:** Mr Jamison and Ms Murdock both wish to speak on this too.

**Mr Jamison:** I do not know how many times it has been said here that it costs less money to save a kilowatt of energy than it does to build a facility to produce one. On top of that, we just heard that there are input costs to that facility, the labour force, the cost of upkeep and so forth. All those things are there and ongoing. The point is—and the bottom line has been stated time and time again—that it costs less to save a kilowatt at this point than to produce one.

**Mr Brown:** That is what we are trying to determine.

**Mr Jordan:** How much less? We have to take the revenue into consideration.

**Mr Jamison:** Most industries are headed in the same direction: downsizing, better control of the assets they have, inventory stock and all those kinds of things. On one side, the argument has been here for days and days about building excess capacity. The report just came down on that, and this is where the argument is. We have to understand that it costs less money to preserve a kilowatt—okay, to save one—than to build one into the system.

**Mr Brown:** No, that is not right. There is a mathematical relationship here, and at some point it costs more to save it than to build it. That is obvious. I am trying to figure out where that point is, and that is the question I am asking.

**Ms S. Murdock:** I do not know exactly. I thought I understood this, and now I am really confused. If I am wrong, I want to be corrected early so I do not get more confused. I am hearing Mr Brown ask what the net revenues would be on the \$8 billion that would be used to build a unit and what the net revenues would be on the \$6 billion it is going to cost for energy saving. I am hearing you say, Mr Jennings, that the saving that would be made on energy would result in less revenue.

**Mr Jennings:** Yes, but I am arguing that it is a benefit.

**Ms S. Murdock:** I understand that. It is sort of like a positive negative, and it is looking at it from a different perspective.

**Mr Jennings:** It is a lower bill for the province, a lower cost for the province as a whole.

**Mr Jamison:** Which is a positive.

**Mr Jennings:** Yes.

**Ms S. Murdock:** Yes. It is really irrelevant what the \$8 billion and the \$6 billion—I know money is not irrelevant in this day and age, but what I am saying is that for the purposes of explanation, whether it is \$8 billion or \$6 billion or \$4 billion does not really matter.

**Mr Jennings:** Maybe I will try to explain it on a different basis. When Ontario Hydro examines the types of expenditures it will have to make on programs for energy efficiency, it is looking at the costs of those programs per kilowatt-hour saved. For the types of programs they have developed and are working on now, the cost of getting those savings would be about two to three cents per kilowatt-hour.

The avoided cost that Ontario Hydro is using on its system base is the type of cost it was negotiating with non-utility generators, which reflected that Ontario Hydro's avoided cost of new supply is around four and a half to five cents a kilowatt-hour. So on that economic analysis basis, the cost of a kilowatt-hour from a demand management program is more economic than a supply kilowatt-hour.

Your question deals with the revenue impact of a given kilowatt or megawatt of power. Roughly, if you looked at 1,000 megawatts and if it was base load generation—we are talking about high utilization rate, so for most cases it would probably be lower than this number—you could talk about something like \$500 million in revenue from 1,000 megawatts of base load capacity. Peaking load would be far lower than this because it would only be maybe 10% of the time.

What I am trying to get at with the size of the bill is that currently Ontario Hydro's annual revenues are about \$7 billion. That is money that customers across the province—consumers, industry, everybody—pay for power from Ontario Hydro.

The \$6 billion that is to be spent on conservation programs would mean that in the year 2000 you would have 5,000 megawatts less of demand than you would have without that being spent. As a consequence, the overall bill to the province will be considerably lower. It will be less than the \$500 million, but if we use that as a round number, you could be talking about \$2.5 billion lower as a bill to the province than you would be otherwise looking at.

You can look at it as lost revenue to the corporation, and any fixed costs would have to be spread around more customers, so there may be some rate implication because of that. But if you look at the province as a whole, it means \$2.5 billion people do not have to spend on electricity for the same level of service, because we are talking about efficiency, and we are talking about people still having the same level of heating in their homes, still having the same level of lighting. They may have more efficient lightbulbs, but they are going to be getting the same amount of light. So people are going to have the same services or quality of life, but at a lower bill.

**Mr Frankford:** I am far from being an accountant, but I think I can see some confusion there. Revenue is—perhaps the term should be cash flow. You talk about revenue, which is there, but there is no guarantee that it does anything apart from flow through. What you are talking

about might be profit, but does that not depend on the rates? You cannot predict at this point in time that the rates—

**Mr Brown:** That is what the issue really is all about: rates. That is what I am trying to determine. I do not think we are disagreeing here; I think we are just having some difficulty in coming to an understanding of what is being said. What I am really trying to determine is whether in the year 2000, after we have spent \$6 billion on energy conservation instead of spending \$8 billion on generation, my bill will be lower or higher.

1540

**Mr Jennings:** The overall bill to the province will be lower.

**Mr Brown:** My bill.

**Mr Jennings:** It will depend on whether you have participated in a conservation program or not.

**Mr Brown:** I am one of these happy guys who just put a state-of-the-art heat pump system in my house. It is providing good energy efficiency; it is doing a lot of good. But I have \$20,000 or more invested in this system and I saved \$400 over the last three months, so it is going to be a long time until I see a payback on that. I am not complaining about that, because I think it is just a matter of time until I get my payback on that system, but there are a lot of constituents who are not in a position to do that. All of these programs require some capital expenditure on the part of the person who wants to participate. Particularly among seniors and among people with low incomes generally, they are going to have great difficulty doing this. So I might be in a position to save on my Hydro bill, because fortunately I am in a situation where I can make the investment. What I am concerned about are my constituents who do not have that ability to take part in an equitable manner in those conservation projects.

**Mr Jennings:** In the short term, the person participating in the program will receive an immediate benefit. In the longer term, the benefit to all the ratepayers would be that we do not have to put in the high-capital-cost facilities such as a \$13.5-billion nuclear plant.

**Mr Brown:** To get this straight, if we do the \$8 billion in capital expenditures, my bill will be lower, but the province's bill will be higher. I think that is what you just told me.

**Mr Jennings:** You are talking about the new supply? Yes, because you will have more revenue for Ontario Hydro, but what that means—the equivalent of saying that is to say the electricity bill for the province will be higher.

**Mr Brown:** Yes, exactly. I think that is what I said, that for the province as a whole the bill will be higher.

**Mr Jennings:** Yes.

**Mr Brown:** But for Mike Brown or Gary Carr the bill will be lower.

**Mr Jennings:** No, the bill will be higher. Your rate may be lower, but you do not pay just the rate; you have to pay the bill.

**Mr Brown:** Provided I can take advantage of the conservation program.

**Mr Jennings:** You may have a bill that may be higher, but you will say, "That's great, because my rate, my cents per kilowatt-hour, is lower."

**Interjection:** I think you have answered the question.

**Mr Frankford:** I think you have proved—

**Mr Brown:** I have one more question. As long as we are on this whole thing, we have Darlington coming on stream, partially on stream. We have that investment. What is Hydro's projected cost per kilowatt from that station over the next 40 years?

**Mr Jennings:** You would have to ask Hydro for the exact, up-to-date number. I would hesitate to give the actual number. In terms of the long-run avoided costs, it might be in the neighbourhood of four cents in real terms. But in an accounting sense, coming into the rate base is more like six to seven cents a kilowatt-hour.

**The Vice-Chair:** Is there any further debate on this?

**Mr McGuinty:** Mr Chair, are we still on my amendment?

**The Vice-Chair:** This is on the amendment to the proposed amendment. I believe we are ready to vote. No more debate? Now we will vote on Mr McGuinty's proposed amendment to the amendment. All those in favour of Mr McGuinty's amendment? All those opposed?

Motion negatived.

**The Vice-Chair:** Now we are open for discussion on the government motion as put forward by Mr Huget. We have had Mr Huget's supporting comments, so we are open for debate.

**Mr McGuinty:** When I presented my amendment to this motion, I dealt with my views as to why Hydro, if it is going to get into the conservation business in any way, should do so with respect to electricity only. I do not want to make those same comments again. This time I want to restrict my comments to the business of fuel substitution.

I think we have clarified now that rates will go up, apparently at least initially, as a result of the fuel substitution program. That is obviously a concern. Even if this were the right thing to do—and I am not saying it is; that is, if rates are going to go up, if that is somehow the right thing to do—this is not the time to do that thing. Of course, that is because we are now living in the context of a recession, when consumers, householders, small business, large business, industry and the commercial sector are extremely sensitive to any increases in their costs of living, overhead costs over which they have no control. There is some kind of an equity issue, a fairness issue here.

What about those people who will not switch? There is a certain group of people who will not switch to natural gas, for instance, because they do not feel comfortable with it. What about those people who are living in areas of the province where they cannot switch to natural gas, who do not have access to it? Their rates are going to go up as a result of funding other people who do have such access to make the switch.

What about those people who have switched? Socially they felt it was the responsible thing to do. Economically

they felt it was the right thing to do. What about those people who can afford to switch quite easily, but who see this freebie coming down the government pipes and say: "Look, we could make the switch now to natural gas, but you know what? The government's going to have Hydro pay for us to make that switch, so why don't we wait and jump on that bandwagon when it gets here?"

Those are the issues here that remain unaddressed by the fuel substitution provision as it is contained here. The concern I have, and the one I raised in connection with my amendment, is that if we are going to get into fuel substitution and fuel switching, let's make darned sure it is going to be of benefit to Hydro's ratepayers. I think it should be of benefit in the short term as well as the long term, and there is no such guarantee that is offered here. For those reasons, I cannot support this motion.

**Mr Huget:** Our intention, as stated when Bill 118 was introduced, was that Hydro should be able to promote fuel substitution where it is cost-effective and where the market will not make it happen otherwise. In some cases, education and information may be all that is needed to encourage fuel switching. On occasion, some form of incentive may be required. Where this is necessary, Hydro's programs will be designed in a way that ensures they are cost-effective and benefit consumers.

**Mr Jordan:** I would like some explanation. "An energy conservation program may include, but is not limited to, the following." Could you enlarge on that, please?

**Mr Huget:** Beyond what is written here, Mr Jordan?

**Mr Jordan:** Yes. You indicate that an energy conservation program may include the six items you have listed, but is not limited to those.

**Mr Huget:** I think, as far as "may include" is concerned, it is fairly straightforward.

**Mr Jordan:** Can you give us some idea of the scope that you—

**Mr Huget:** I do not see that any explanation is necessary.

**Mr Ciemięga:** That is the language in the current act; it has not changed.

**Mr Jordan:** I am asking for interpretation, if you do not mind. What scope do you see it going to outside of what is listed?

**Mr Ciemięga:** That would depend on the corporation itself. It is within its discretion. It would look at this list. The language means that it is not limited to this list, but that these are the kinds of things it can do. We are not changing the language. That is the way it is in the current act, subsection 64(3); the wording is identical, "may include, but is not limited to, the following."

**Mr Jordan:** Do you not feel that is sort of open?

**Mr Ciemięga:** In a sense it is, but that is the way it probably should be. That is the way the corporation wants it.

**Mr Huget:** Mr Jordan, I think it is clear we want to ensure that Hydro has the flexibility to enable it to be able to achieve energy efficiency.

1550

**Mr Jordan:** Paragraph 2 is, "The improvement of an energy system in a building." You want the right to go in and spend money on my gas-fired unit to make it more efficient? Am I interpreting this wrong? I am just trying to find out how my hydro money is going to be spent here on conservation.

**Mr Jennings:** In general, where Ontario Hydro was giving programs to improve energy systems in buildings, that would be a building that had electric heating, although in the case of some buildings, regardless of the form of heating, the heating, ventilating and cooling system would be electric motors, that type of thing. Ontario Hydro could have a program to improve the heating of a building where it was assisting people in putting in high-efficiency motors for the ventilating system, the fans, the pumps, that type of thing.

**Mr Jordan:** We had an industry come before us in Ottawa, I believe it was. In making other forms of energy efficient at their plant, they increased their electrical load by 15,000 kilowatts, using the equipment to make more efficient use of the other energy. They took great efforts to point that out to us. Or was it at Thorold? It was one of the plants.

**The Vice-Chair:** If I could clarify that, I believe it was Ottawa and it was a steel manufacturer that makes high-grade steel in its electric blast furnace, if my memory serves me correctly.

**Mr Jordan:** Subsection (3.2) says "the substitution of other forms of energy for electrical energy." At what cost, might I say, would we do that, or is the substitution of other forms of energy for electrical energy just a blanket right to the corporation?

**Mr Jennings:** This provision would add that as one of the definitions of an energy conservation program. Energy conservation programs have already been spelled out in the act, in previous amendments going back to 1981, saying that is part of the business and purposes of the corporation. Those do not have explicit financial or investment criteria to them outside of the general fiduciary responsibility the corporation has.

**Mr Jordan:** I guess the concern is the control of how the \$6 billion is going to be spent on conservation. For instance, I believe in Wellington county a company went ahead and built a windmill. Of course, it needed three-phase power which was not available. I understand now it has received a grant of \$200 million to relocate the windmill. Do you know if that came from Hydro or from the government?

**Mr Jennings:** I do not think it could have been \$200 million.

**Mr Jordan:** It was \$1.5 million to build a three-phase line to it. I could be wrong. I understand they just recently received \$200 million and they are relocating the windmill to Bruce. Do you have any information on that?

**Mr Jennings:** I am not familiar with it. No, I am sorry.

**Mr Jordan:** It was in Wellington county, I believe. They went ahead and erected the towers. Someone did not realize there was not three-phase power available for the project and they have just received this money. I wonder if it was from your energy conservation or from the Ministry of Industry, Trade and Technology, or just where this money comes from.

**Mr Jennings:** I am not familiar with that. I would be surprised if someone got \$200 million from either the government or Ontario Hydro for such a project.

**Mr Jordan:** Maybe I am getting millions and thousands—

**Mr Jennings:** If it was \$200 million, I think I would have heard of it.

**Mr Jordan:** You are not familiar with the project.

**Mr Jennings:** No.

**Mr Jordan:** I may stand corrected on the dollars, but it is that type of thing I am wondering about. Are you foreseeing this energy conservation thing as being loose enough, if you will, that you can enter into any of these types of projects?

**Mr Jennings:** That would be covered under parallel generation, which is not part of anything that is being amended here, but that is already part of the business and purpose of the corporation under the act.

**Mr Jordan:** You want to continue to do improvements to buildings regardless of the fuel being used?

**Mr Jennings:** If it is improvements to the motors of a heating, ventilating and air-conditioning system, then it is a reduction in electricity.

**Mr Jordan:** That would be the improvement of a building to retain heat.

**Mr Jennings:** In general, Ontario Hydro's programs would apply to electrically heated buildings.

**Mr Jordan:** If I am heating my building with gas, are you still going to improve the capacity of the building to retain heat?

**Mr Jennings:** These are enabling provisions. I would not expect Ontario Hydro to offer insulation programs to someone with gas heating. They certainly do not currently.

**Mr Jordan:** They do not currently?

**Mr Jennings:** They do not have insulation programs for someone who has gas space heating and I would not anticipate that would change. There is nothing in here that would direct them to do that.

**Mr Jordan:** It is left very general, you will have to agree: "The improvement of the capacity of a building to retain heat." Again I come back to these people who are concerned about anything that will affect the cost of hydro to them, to be competitive in business.

**Mr Jennings:** The current act, as it is written, under that same section says, "The improvement of the capacity of a building to retain heat." It is an existing provision in the act.

**Mr Jordan:** It says, "to retain electrical heat," does it not?

**Mr Jennings:** No. It says, "The improvement of the capacity of a building to retain heat." But as I said, there is no reason why Ontario Hydro would be involved in a program to improve the capacity of a building to retain heat unless it was using electric space heating. That happens to be the wording of the existing legislation. We are not changing anything with that.

**Mr Farnan:** This is a situation in which we are looking for flexibility, and indeed Hydro itself has requested that flexibility. I have been very touched by the opposition members on this committee who have been requesting that we listen to the requests that are emanating from Hydro itself. Here we have very clearly a request for flexibility and of course I think the government would want to be sensitive to this kind of request. It is not a simple matter, the matter of energy.

What we have is a rapidly changing world, and I suspect Hydro would share with the government the desire for longer-range and long-range planning and the adaptability and flexibility to make those changes that this rapid transition in our society demands. This calls for innovation, courage, brave decision-making, and that is what this is all about. This is the kind of legislation that can allow for that kind of brave, courageous and innovative decision-making.

1600

**Mr Carr:** I just want to point out that everyone agrees what we need is long-term planning. Ontario Hydro in its history has done more long-term planning than politicians of all political stripes and all parties that sometimes—I say this in a non-partisan way—do it short-term and may be thinking of the next election, not about energy supplies 10 years down the road. I have more confidence if Ontario Hydro is making decisions on our energy, based on its expertise, than in the policy decisions of any government. I say this to be non-political, because I would not trust it if it happened to be a government of any political stripe. That is where we differ on this. I just want to point that out because I agree long-term strategy is what we need. What I am saying is that when politicians get involved, their long-term sometimes only goes to the next election.

**Mr Brown:** I am somewhat concerned that in the list here there is no mention of the environment anywhere. We are not looking at a conservation program that might benefit the environment. It could be argued, and I suspect you will, that all these things will benefit the environment. But it seems to me that it may be in the people's interests, Ontarians' interests, to make sure that when we are looking for efficiency in conservation we do it in an environmentally correct manner; in other words, we do not encourage the use of a fuel just because it happens to be cheaper and happens not to be electricity and would do more harm to the environment than continuing to use electricity. I ask the parliamentary assistant why this has not been included as part of the list, not that I am really ecstatic about the list.

**Mr Hugot:** Mr Brown, I am somewhat at a loss. I do not know if you have followed any of the debate on this bill or have read any of the documentation on this bill or have bothered to get your hands on any of the copies of

any of the presentations from the environmental groups in this province on this bill, or have listened to any government statements involving the very serious nature of making environmental gains and the effects of energy and energy conservation on the environment, which we understand quite well. I think, had you bothered to get your hands on some of that, you would have understood clearly that when we save energy in Ontario we do good things for the environment. That has been stated by the government. It has been stated by the minister. It has been stated by almost every environmental organization that appeared before the committee in support of the gains we were making with this bill.

Frankly, I am a little distressed that perhaps you may be the only person I have run across in this committee who is not aware of those environmental benefits. Certainly it is patently obvious from anybody's commonsense point of view that we would not do things that were not environmentally sound with the reduction of electrical use.

**Mr Brown:** Mr Hugot, in the preface to my question, I acknowledged the fact that conservation is in and of itself good for the environment. Notwithstanding your comments, I think that stands.

What I am more interested in is the substitution or whatever that will occur because of your list. There is no consideration being given to the environmental impact of that consideration. Just because you use less electricity does not mean you are not going to use more of something else. Notwithstanding your comments on my "lack of reading" or whatever, I think I am quite familiar with these issues, and I am surprised that consideration does not enter in here.

There is something that has been referred to in previous committees on energy as the best use of energy. For example, it can be argued and is argued by many people that natural gas should be used as a primary source in heating your home or heating water right in your home, and that it is not necessarily the best use of natural gas to use it to generate electricity. That is an argument in which I am not coming down on one side or other. I am just pointing that out and wondering why that is not included as something Hydro is considering. I grant you that conservation is a good thing for the environment. I am just wondering, when you make these choices, are you going to consider the impact of the other fuels you are going to use, rather than just considering the electrical supply in isolation?

**Mr Hugot:** My only comment would be that we take it as a given that the environmental concerns are of the utmost importance to the people of the province. When we substitute fuel, it must be environmentally and economically sound. I think that is a principle we have communicated to everyone as often as we can; however, we will communicate it again to you today.

**Mr Brown:** Thank you very much for that. I then presume the Ministry of Energy is committed to reducing the greenhouse gases emissions by 2005, a commitment many of the industrial countries in Europe have already made.

You see, the difficulty with this is not just to look at Hydro. If you look just at Hydro, you can say, "Yes, I did

it." But if the rest of the economy is now using more natural gas, more oil products etc because of that, it may not mean you have accomplished anything. That is why I am wondering why you have not included that. At least you could give me the assurance—and I know your sincerity on this issue—that the government will be, by the year 2005, reducing the fossil fuel emissions in Ontario.

There was a select committee that was looking into this issue, I am sure you are aware, in I think the winter of 1990, but I could be wrong on the date. The Minister of Energy at that time had issued a policy statement. I would appreciate confirmation that this is still your priority, that you have not moved away from that, that the environment is still a top concern of the ministry and that its omission here is just because you do not think it is necessary rather than the fact you are changing policy.

**Mr Huget:** We certainly have not embarked on a policy to destroy or harm the environment of Ontario. Fuel-switching initiatives will primarily replace coal-fired generation of electricity with direct use of natural gas, although oil and other fuels may also be cost-effective substitutes for electricity and are options for fuel substitution where gas is not available. Coal-fired electricity generation is less than 40% efficient compared to natural gas efficiencies for space heating of 78% to 96% with new furnaces. Replacing electric space heating with natural gas could reduce CO<sub>2</sub> emissions produced to heat that house by 75% to 80%. Clearly we understand the implications for the environment.

1610

**Mr McGuinty:** I want to touch on something we have raised before, but it is worth noting once again. This business of a government weighing in and deciding to subsidize people through one means or another to switch off one form of fuel to another is not without precedent. We had it on the federal scene when they had the off-oil programs, but it is noteworthy that when they had those programs, those subsidies were funded out of the federal general revenue fund, a very broad base derived from revenues from across the country. This fuel substitution program would be subsidized by a very select group, not the taxpayers of the province but Hydro's ratepayers. That is very different.

We pay such taxes as are a function of our income, but we pay our Hydro rates regardless of our income. When those rates go up, they do not reflect any increase in our income. They are going to go up notwithstanding or down notwithstanding. You flick on the switch, as we all do regularly. We cannot live without it now. We are bound and we are held hostage by electricity. We have become addicted to it. That is why, when we get into a fuel substitution program, it is very important to thoroughly consider the ramifications of having a select group, Hydro's ratepayers, pay to switch people off one fuel, electricity, to another.

There is no provision in here that would have the natural gas people, who stand to benefit directly from this kind of initiative—we have to ask ourselves why they are not participating. Why is there not some kind of requirement

that they participate, and the same with the oil industry? I see those as serious shortcomings.

**Mr Huget:** I would only add that in some cases education and information may be all that is needed to encourage fuel-switching. On occasion, some form of incentive may be required. Where this is necessary, Hydro's programs will be designed in a way that ensures they are cost-effective and benefit consumers.

**The Vice-Chair:** Seeing no further debate on the motion by Mr Huget, would all those in favour please signify. All those opposed?

Motion agreed to.

**The Vice-Chair:** Mr McGuinty moves that section 4 of the bill be amended by adding the following subsection:

"(2) Section 64 of the act is amended by adding the following subsection:

"Report

"(5) The corporation shall, on or before the first day of March in each year, submit a report to the minister and to the assembly specifying the cost of each energy conservation program undertaken by the corporation and the benefits achieved, including the quantity, if any, of additional electrical generation avoided or planned to be avoided by the program and the costs avoided."

**Mr McGuinty:** What I am attempting to do here is to put in place another provision that would guarantee some of this openness and some of this transparency we have heard so much about. It would require that Hydro, when it undertakes any kind of energy conservation program, file a report with the minister and with the assembly. It would be fairly detailed. It would have to specify the costs of those programs and specifically the kinds of benefits that were achieved. It goes on to specify "including the quantity, if any, of additional electrical generation avoided or planned to be avoided by the program and the costs avoided." It is fairly onerous, but I think it is still the responsible thing to do to ensure that we get a full briefing from Hydro as to what the real results of energy programs are.

We have already had some criticism levelled by a very credible party in this, the Ontario Energy Board, which has said that some of the conservation programs being undertaken by Hydro are simply not cost-effective. This amendment, if adopted, would allow the government and the opposition to scrutinize the effectiveness of those energy conservation programs.

The government has indicated that Hydro is going to be spending some \$6 billion in energy conservation programs from here until the year 2000. That is an astonishingly large sum of money. I am very concerned about the manner in which that is to be spent. I think it would take a lot of work to determine how you are going to spend it, let alone actually spend it at the end. I am concerned about what kinds of internal machinations are going on to provide for the expenditure of that kind of money. This is the kind of difficulty I am attempting to address with this amendment.

It is also noteworthy that we have very capable people with Hydro who have been employed in the business of meeting demand. They have been working on the supply

side of Hydro for quite some time. Apparently Mr Eliesen has guaranteed that there are going to be no jobs lost at Hydro, and all those people who were involved in the development of generation and transmission of electricity, are now suddenly to become expert in the art of conservation.

I am concerned with those kinds of expenses and the conservation programs at Hydro generally. This will ensure we are given a full report on it.

**Mr Huget:** The Ontario Energy Board has in fact asked Hydro to emphasize more cost-effective activities such as fuel switching. Ontario Hydro is required to report on its conservation programs and their cost-effectiveness to the Ontario Energy Board in its public review of Hydro's annual rates application. The memorandum of understanding between Hydro and the Minister of Energy also requires Hydro to report on its conservation activities. The ministry is now reviewing the memorandum of understanding with a view to strengthening the reporting requirement. We will not support the motion.

**Mr Jordan:** I would think the parliamentary assistant might reconsider. During the estimates hearings a year ago, when Hydro came before the committee, it was hoping at that time to report every three months on the kilowatts saved and the cost per kilowatt for having attained those goals. I would feel that if anything, this motion should go along with that, with a quarterly report. You can spend a lot of money and if you do not have a handle on the actual kilowatts saved, this can easily be forgotten.

The method of measuring here is that in industry they go and measure the megawatts or kilowatts they have saved on peak. They can do that because of their billing system. But to go into residential and try to measure the savings is not very easy. If you look in the report we were given—I believe it was the interim minister who was present at the time—I know you will find that Hydro is going to be requested to report the savings on a quarterly basis. I would think the company would be doing this regardless of the government's wishes.

**Mr Huget:** Ontario Hydro is providing quarterly reports on its demand management savings to the minister.

**The Vice-Chair:** Anything further, Mr Jordan?

**Mr Jordan:** Only to stress the importance of a reliable measuring system relative to the kilowatts saved and the cost of those savings, because the Ontario Energy Board has stated that the moneys being spent on the conservation programs, to date, as I understand the report, were not well thought out. Surely then it should be assessed on a quarterly basis.

I am willing to accept the motion on an annual basis, but hopefully, in actual practice and in operation, it would be done on a quarterly basis so that the Minister of Energy and the members of the Legislature would have a better handle on how the \$6 billion was being spent and on the success of the program relative to the revised demand-supply plan, which has made considerable changes in the savings relative to this.

**Mr Huget:** I would just remind Mr Jordan that the Ontario Energy Board has asked Hydro to emphasize more cost-effective activities such as fuel switching.

**The Vice-Chair:** Hearing no further debate, shall the amendment proposed by Mr McGuinty carry? All those in favour?

**Mr McGuinty:** Recorded vote.

The committee divided on Mr McGuinty's motion, which was negated on the following vote:

**Ayes—5**

Brown, Carr, Cleary, Jordan, McGuinty.

**Nays—6**

Huget, Farnan, Frankford, Jamison, Murdock, S., Ward, B.

**The Vice-Chair:** I believe that brings us to the end of section 4.

**Mr Huget:** On a point of relief, Mr Chair: Can we take a five-minute recess?

**The Vice-Chair:** Can we carry this first?

Section 4, as amended, agreed to.

**The Vice-Chair:** Please come back on time if you wish to leave at 5 o'clock. We will recess for five minutes.

The committee recessed at 1624.

1634

Section 5:

**The Vice-Chair:** I will call the committee back to order. We are now dealing with a government motion.

Mr Huget moves that section 5 of the bill be struck out and the following substituted:

"5(1) Section 65 of the act is amended by adding the following subsection:

"Idem

"(1.1) As part of an energy conservation program, the corporation may, in addition to its powers under subsection (1), loan such money and provide such incentives and other assistance as the corporation determines in order to assist in the carrying out of the program.

"(2) Subsection 65(3) of the act is repealed."

**Mr Huget:** Ontario Hydro officials are concerned that the changes reflected in the bill are not wide enough, and this amendment is being made at the request of Ontario Hydro officials. This new amendment, subsection 65(1.1), is consistent with the policy behind the amendment that repeals subsection 65(3). Both amendments broaden the scope of the things Ontario Hydro may do in conjunction with an energy conservation program.

**Mr McGuinty:** I am not sure whether the wording Mr Huget read was the same as was contained within here. Perhaps I might ask him to repeat it.

**Ms S. Murdock:** That was the new one.

**Mr McGuinty:** Okay. I have been working with the old copy here.

**The Vice-Chair:** They were distributed at lunchtime. I have a spare copy here.

**Mr McGuinty:** From my quick reading of it, the original subsection 65(1) restricted the corporation's ability to extend loans and incentives, "in order to assist in the doing of work or the acquisition and installation of equipment

and material in accordance with the energy conservation program." It would appear that the government's amendment removes that restriction and provides Hydro with a wider ambit to make those loans as long as it is "in order to assist in the carrying out of the program."

One of the concerns I have with this is that there is no restriction, no proviso regulating the interest rates or ensuring in any way that the net result of lending those loans is there is some cost-effective benefit to Hydro's ratepayers. For that reason, I cannot support it.

**Mr Jordan:** I have my reservations on this. I may need some clarification on this from the parliamentary assistant. How is it you feel the present act does not cover a situation like "A loan or incentive or assistance under this section may be made" and so on? and so on? Does that not cover what you want to do relative to it?

**Mr Hugot:** I will defer to Mr Jennings.

**Mr Jennings:** There are two parts to this section. One is repealing subsection 65(3), which is the current restriction on incentives or loans for conversion of a space heating system. For subsection 65(1.1), the change there is to broaden the definition of what types of things Ontario Hydro can be involved in. The definition under the current act says that "the corporation may loan such money and provide such incentives and technical assistance as the corporation determines in order to assist in the doing of work or the acquisition and installation of equipment and material in accordance with the energy conservation program." The motion we are putting forward here would broaden that and really give Ontario Hydro the flexibility to pursue whatever type of energy conservation program it felt was in the best interests of the corporation and its customers.

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**Mr Jordan:** And that would include the freedom of the government also by directive to direct the Hydro board to do such and such.

**Interjection:** If it is within the act.

**Mr Jordan:** Within the act. I guess what I want to clarify first of all is that we are saying the directives issued by the government to the board will be within the Power Corporation Act. Are we making it clear that it is within the Power Corporation Act as amended, not as it is at the present time, and that is what we are talking about?

**Mr Jennings:** The act as amended will be the new act.

**Mr Jordan:** Yes. Even with your change, I do not see that it says you can give grants of money, like give a customer \$2,000 to switch.

**Mr Jennings:** "Provide such incentives and other assistance as the corporation determines."

**Mr Jordan:** So the loan would be one thing, and you would consider a grant as an incentive. Is that what you mean?

**Mr Jennings:** It says may "loan such money and provide such incentives and other assistance as the corporation determines." Again, that is enabling and was really requested by Ontario Hydro to give it the full flexibility it thought it needed.

**The Vice-Chair:** Further debate? All those in favour of the motion put forward by Mr Hugot? Opposed?

Motion agreed to.

**The Vice-Chair:** Mr McGuinty moves that section 5 of the bill be amended by adding the following subsection:

(2) Section 65 of the act is amended by adding the following subsection:

"Report

"(3) The corporation shall, on or before the first day of March in each year, submit a report to the minister specifying the amount of loans made under this section and giving a summary of the terms and conditions governing the loans."

**Mr McGuinty:** What we are doing here is that given we now have a continuation of Hydro's ability to extend loans in an effort to promote its conservation programs, and given we have also even gone further and broadened that framework within which you can extend those loans, all I am requiring in this amendment is that we have an accounting of the amount of those loans made and a summary of the terms and conditions. This is in keeping with the openness and transparency that has been talked about so much in relation to Bill 118. I think it is only right that when Hydro goes ahead and extends these kinds of loans, we know what it is we are talking about and we look at the picture at least once a year.

**Mr Hugot:** Details such as referred to in the motion will be provided to the Ontario Energy Board when it reviews Hydro's annual rate application. We think it is more appropriately dealt with in the report section through a memorandum of understanding, and as we have already said, we are looking at strengthening the reporting aspect of the memorandum of understanding, so we cannot support the motion.

**Mr Jordan:** I have a question to Mr McGuinty. In, "The corporation shall, on or before the first day of March in each year, submit a report to the minister specifying the amount of loans," did you also intend to include the amount of money in incentives?

**Mr McGuinty:** This was just with respect to loans, because this—that is actually a good point, Mr Jordan. I was at the time thinking section 65 dealt with loans, but in fact it would more properly be broadened by including incentives. I will take that as a friendly amendment, though.

**The Vice-Chair:** Do you wish to formalize that suggestion, Mr Jordan?

**Mr Jordan:** I move that the report include such incentives and other assistance as the corporation determines in order to assist in carrying out the energy efficiency program.

**The Vice-Chair:** We will now commence discussion on Mr Jordan's amendment to the proposed amendment.

**Mr Farnan:** Let's move to the vote.

**The Vice-Chair:** Any discussion on the amendment to the amendment? Hearing no discussion, all those in favour of Mr Jordan's amendment to the amendment please signify. All those opposed? The amendment to the amendment is carried. It is a tie. Sharon voted with them.

**Clerk of the Committee:** No, she did not.

**The Vice-Chair:** Yes, she did.

**Clerk of the Committee:** Oh. It is up to you to decide.

**Mr Jamison:** Could we have a recorded vote on that?

**Mr Brown:** It is six to five.

**Mr McGuinty:** You are off the hook, Mr Chair.

**The Vice-Chair:** Okay, I am off the hook. The amendment did pass then.

**Mr Cleary:** How are you off the hook?

**The Vice-Chair:** I am off the hook on the first one. Now we will go back to discussion on—

**Clerk of the Committee:** Mr Jordan, can you write out your amendment for me?

**The Vice-Chair:** Mr Jordan's amendment passed. Now we are back on to Mr McGuinty's original motion, as amended. Any further discussion on Mr McGuinty's motion? Seeing no further discussion, all those in favour of Mr McGuinty's motion, as amended? Opposed?

Motion negated.

Interjections.

**The Vice-Chair:** I know the day is coming to an end. Mr Jordan?

**Clerk of the Committee:** He is writing out his first motion.

**Mr Carr:** I will just do it for Mr Jordan.

**The Vice-Chair:** Mr Carr moves that section 5 of the bill be amended by adding the following subsection:

(2) Section 65 of the act is amended by adding the following subsections:

"Local option—conversion of heating system

"(3) The corporation shall comply with a written request from a municipal corporation that the corporation not loan money or provide incentives or assistance under this section to assist energy users located in the municipality in the conversion of a space heating system to a system other than one based in whole or in part on the use of electrical energy.

"Reimbursement

"(4) The Ministry of Energy shall reimburse the corporation for the cost to the corporation of loans, incentives and assistance provided under this section."

**Mr Carr:** Just very quickly, I think obviously the amendment is self-explanatory. Mr Jordan will add a few points to that, I am sure, when he gets a chance.

**The Vice-Chair:** Mr Jordan, do you wish to speak?

**Mr Jordan:** I think the importance of this motion is that the indication we got from the vice-president was that he would in fact consult with municipal electric utilities before implementing a conservation program and that they would discuss the effects that particular program might have on that utility. In that light the corporation would comply with a written request from a municipal corporation that the corporation not loan money or provide incentives or assistance under this section to assist energy users located in the municipality; that is, they would come under that municipal electrical utility. That utility would have the option on loaning that money and providing the incentives.

I do not feel that is going against the projected policy of Ontario Hydro as I interpreted it the other day when the chairman and vice-president were here. I was wondering if the parliamentary assistant understood that as I did.

**Mr Huget:** The government has already made it clear that fuel-switching programs will be cost-effective and will be designed in consultation with the stakeholders including the municipal electrical utilities. The government is not prepared to limit Hydro's ability to act in the best interests of the electricity customer and the people of Ontario. Therefore, we will not be supporting the motion.

**The Vice-Chair:** Further discussion on the amendment? All those in favour of Mr Carr's motion? Opposed?

Motion negated.

Section 5, as amended, agreed to.

**The Vice-Chair:** Seeing it is 4:55, I will adjourn for today. We have had a very productive day. We will resume tomorrow morning at 10 o'clock promptly. Thank you very much for a most productive day.

The committee adjourned at 1653.

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**Chair / Président(e):** Kormos, Peter (Welland-Thorold ND)

**Vice-Chair / Vice-Président(e):** Waters, Daniel (Muskoka-Georgian Bay/Muskoka-Baie-Georgianne ND)

Arnott, Ted (Wellington PC)

Cleary, John C. (Cornwall L)

Dadamo, George (Windsor-Sandwich ND)

Huget, Bob (Sarnia ND)

Jordan, Leo (Lanark-Renfrew PC)

Klopp, Paul (Huron ND)

McGuinty, Dalton (Ottawa South/-Sud L)

Murdock, Sharon (Sudbury ND)

Ramsay, David (Timiskaming L)

Wood, Len (Cochrane North/-Nord ND)

#### **Substitution(s) / Membre(s) remplaçant(s):**

Brown, Michael A. (Algoma-Manitoulin L) for Mr Conway

Brown, Michael A. (Algoma-Manitoulin L) for Mr Ramsay

Carr, Gary (Oakville South/-Sud PC) for Mr Arnott

Farnan, Mike (Cambridge ND) for Mr Wood

Fletcher, Derek (Guelph ND) for Mr Kormos

Frankford, Robert (Scarborough East/-Est ND) for Mr Dadamo

Jamison, Norm (Norfolk ND) for Mr Klopp

Ward, Brad (Brantford ND) for Mr Kormos

#### **Also taking part / Autres participants et participantes:**

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Jennings, Rick, Ministry of Energy

**Clerk pro tem / Greffier ou greffière par intérim:** Manikel, Tannis

**Staff / Personnel:** Cutbert, Graham, Legislative Counsel







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## Assemblée législative de l'Ontario

Première intersession, 35<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 20 February 1992



# Journal des débats (Hansard)

Le jeudi 20 février 1992

## Standing committee on resources development

Power Corporation  
Amendment Act, 1991

## Comité permanent du développement des ressources

Loi de 1991 modifiant  
la Loi sur la Société de l'électricité

Chair: Peter Kormos  
Clerk: Harold Brown

Président : Peter Kormos  
Greffier : Harold Brown

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday 20 February 1992

The committee met at 1007 in committee room 2.

### POWER CORPORATION AMENDMENT ACT, 1991

#### LOI DE 1991 MODIFIANT LA LOI SUR LA SOCIÉTÉ DE L'ÉLECTRICITÉ

Resuming consideration of Bill 118, An Act to amend the Power Corporation Act / Projet de loi 118, Loi modifiant la Loi sur la Société de l'électricité.

#### Section 6:

**The Vice-Chair:** I call the committee to order. We will pick up the clause-by-clause at section 6 of the bill. Mr Huget, I believe we go to you for section 6.

**Mr Huget:** Mr Chairman, as you know, I had a government motion distributed which would provide that section 6 of the bill be struck out. As you know, a motion to strike out a section of a bill is not in order if no substitution or amendment is being made. The proper course is to vote against the section standing as a part of the bill. My purpose in distributing the motion was to inform the committee of our intentions relating to section 6. Rather than moving a motion that is out of order, the government members of the committee propose to vote against the said section standing as a part of the bill.

**Mr McGuinty:** I believe section 6 has actually been incorporated into an earlier section. Is that correct, Mr Huget?

**Mr Huget:** Part of it has been.

Section 6 negated.

**The Vice-Chair:** Mr McGuinty moves that the bill be amended by adding the following section:

"(6.1) Section 71 of the act is amended by adding the following subsection:

"Report

"(5) The corporation shall, on or before the first day of March in each year, submit a report to the minister specifying the amount of each loan made under this section and giving a summary of the terms and conditions of each loan and the cost of the parallel generation."

**Mr McGuinty:** Very briefly, parallel generation refers to non-utility generators, and in keeping with my theme of providing an accounting for costs associated with some of Hydro's undertakings, this will require that Hydro provide a report to the minister setting out the amounts of the loans made in connection with non-utility generators and the terms of those loans.

**Mr Huget:** Reporting requirements are best dealt with in the memorandum of understanding between Hydro and the ministry. As I mentioned earlier, the memorandum of understanding is being reviewed for the purpose of strengthening it. The costs of programs to encourage parallel generation are also considered by the Ontario Energy

Board during its public hearing of Hydro's annual rates application, and therefore we cannot support the motion.

**Mr Jordan:** On a point of clarification, Mr McGuinty: I am not trying to draw a parallel to a previous motion, but with respect to these loans that the corporation could make for parallel generation, could there also be incentives involved? I guess I would refer this to the parliamentary assistant.

**Mr Huget:** I am sorry. I thought you were addressing it to Mr McGuinty.

**Mr Jordan:** I did at the beginning, but—

**Mr Huget:** I cannot speak for Mr McGuinty, and Lord knows he would not want me to. I will defer to Mr Jennings.

**Mr Jennings:** I think Ontario Hydro would be able to make loans for parallel generators, and it has at one time looked at having loans to people who wanted to put generation in to displace their own load. Hydro would be able to do this, but at the moment there is no ongoing program to do this.

**Mr Jordan:** Would incentives be involved to encourage it?

**Mr Jennings:** Basically, what they do is enter into purchase contracts with the parallel generator.

**Mr Jordan:** But they do not give incentives, such as cash incentives.

**Mr Jennings:** No. They could if they felt it was in their interest, but at the moment there is no such program to do it.

**Mr Ciemiega:** Section 71 of the current act specifically states, relating to parallel generation, "The corporation may loan such money and provide such incentives and technical assistance as the corporation determines appropriate for the encouragement of parallel generation." So it is right in the act now.

**Mr Jordan:** How would you define the incentives: actual financial incentives?

**Mr Ciemiega:** It could be.

**Mr Jordan:** It could be?

**Mr Ciemiega:** I would think so.

**Mr McGuinty:** Mr Jordan's point is again well taken. It is similar to the one he took yesterday. In fact, I have been remiss in making this amendment narrower than it ought to be. It should make reference in fact to incentives, as the ministry counsel rightfully pointed out that the provision in section 71 does allow for loans, incentives or assistance. I have narrowed it somewhat more than it ought to have been.

Motion negated.

Section 7:

**The Vice-Chair:** I believe we have a Conservative motion on section 7.

Mr Arnott moves that clause 92(c.1) of the act, as set out in section 7 of the bill, be amended by adding at the end "to the extent the directive is consistent with sound business practices of the corporation."

**Mr Arnott:** It think it is fairly self-evident by the wording of the quotation that sound business practices be adhered to with respect to the policy directives.

**Mr Jordan:** It would appear to me that our reasoning in bringing it forward is that we believe it was apparently an oversight of the government in bringing forth its amendments. They would in fact want to see that, and would have no objection to it.

**Mr Huget:** With the government's motion, policy directives will relate to the corporation's exercise of its powers and duties under the act. The board has a responsibility to exercise these powers and duties in a manner consistent with sound business practices, and therefore we cannot support the motion.

**Mr Brown:** I just want to indicate that I am personally supportive of Mr Jordan's initiative, but I point out to Mr Jordan that the terms of this bill deem everything to be a sound business practice, so I do not know whether he is accomplishing very much.

**Mr Jordan:** Thank you, Mr Brown.

**Mr McGuinty:** I have a question of either Mr Jordan or Mr Arnott. It appears to me that if this amendment was passed, the wording of (c.1), we would be incorporating into the cost of power being supplied to a municipality the cost of complying with a policy directive issued under subsection 10(1), "to the extent the directive is consistent with sound business practices of the corporation." It would seem to me that what we are saying is to include the cost of complying with the directive but only in so far as the costs are related to sound business practices. It seems to be narrower than perhaps Mr Jordan and Mr Arnott intended. Maybe I am missing something on this, but it seems to me that we are only incorporating costs which are consistent with sound business practices. What about those costs that are not consistent with sound business practices?

**The Vice-Chair:** Was that a question?

**Mr McGuinty:** That was a question, yes.

**The Vice-Chair:** Mr Jordan or Mr Arnott, do you have any reply for Mr McGuinty?

**Mr Jordan:** I think Mr McGuinty raises a good point. However, as Mr Brown has pointed out, it has been the government's position throughout these hearings that, as that is the intent of the government throughout all the business, especially business related to Bill 118 and the Power Corporation Act, it will not agree to have such wording spelled out. So although I think it is important, I do not see that we are going to accomplish anything by it.

Motion negatived.

**The Vice-Chair:** Mr McGuinty moves that section 7 of the bill be amended by adding the following subsection:

(2) Section 92 of the act is amended by adding the following subsection:

"Idem

"(2) For the purposes of this section, the cost to the corporation of supplying and delivering power does not include any charge for profit but does include charges authorized by sections 18, 19 and 20."

What I am trying to do here is nail down in a very succinct manner any discussion, any concerns around the incorporation of any profit when we are talking about the cost of power. Again, I am making reference to the Ontario Energy Board's discussions in the past few years, talking about some kind of a return on equity. This just makes it perfectly clear that the cost of power does not include any charge for profit.

It also addresses some of the concerns that we heard during the tour of the committee, when people expressed to us the very real concern that somehow Hydro was either at the present time or potentially in the future going to be charging more than simply for the cost of generating and delivering power.

1020

**Mr Huget:** It is not clear what the intent of the phrase "any charge for profit" is. Section 92 already sets out in detail what can be included in rates. This section defines what is included in the cost of power. This motion does not add anything to the section as it stands now. So we cannot support the motion.

**Mr Brown:** This notion of profit is one I have always had trouble with. It really comes right to the issue of what power at cost is. I just wonder if the parliamentary assistant or one of his officials could indicate what the present net assets of Ontario Hydro are today and what the original investment by the ratepayers of Ontario was in Ontario Hydro.

**Mr Huget:** I will defer to Mr Jennings.

**Mr Jennings:** I have it at my fingertips, but I might be out by a buck or two.

**Mr Brown:** I will accept rounded off.

**Mr Jennings:** The total assets of Ontario Hydro are in the neighbourhood of \$40 billion. Are you asking what the accumulated equity of Ontario Hydro is?

**Mr Brown:** Equity.

**Mr Jennings:** Again, without having it with me, it would be in the neighbourhood of 15%, 17%, of total assets. So it is somewhere around \$6 billion.

**Mr Brown:** My understanding is that the original investment in Ontario Hydro was something in the order of \$100,000, the equity position that was taken. That is why I am always puzzled when we say that Hydro works at cost, because we have turned \$100,000 into \$6 billion. Somebody has made a profit somewhere.

**Mr Jennings:** No. "Power at cost" is defined in detail in section 92 of the Power Corporation Act. It sets out what the board of directors can recover from rates. One of the sums is that they have to have a sinking fund to retire the debt.

**Mr Brown:** I am aware of that.

**Mr Jennings:** The equity component is essentially the debt that has been retired over time. Otherwise you would have a corporation that was 100% debt.

**Mr Brown:** My point only being, in the real world—not the Ontario Hydro world—if you are running a business that started with \$100,000 or thereabouts of capital and you now have \$6 billion of assets, you have made a profit. That is how the real world would look at it. That is the only point I am trying to make.

**Mr Jennings:** It is certainly equity, but it is from setting aside to retire the debt.

**Mr Brown:** I know where it came from, but you still have over \$5 billion more than you started with.

**Mr Jennings:** But you have assets of \$40 billion now. I think you have to look at what the size of the corporation is.

**Mr Brown:** The only way that could happen is you made—really it may be a bad word in this, but it is “profit.”

**Mr Jennings:** The term used is “net income,” but there is not a target rate of return on equity. That is the point.

**Mr Arnott:** I would like to speak in support of this amendment. I think it reflects many of the sentiments that my colleague Mr Jordan and myself have tried to put forward in this process, and that is, we have spoken in favour of the principle of power at cost, recognizing at the same time that in the past there have been deviations from that principle. I think the principle is worthwhile. As we further deviate from power at cost we inevitably go to power at profit. I am not sure if we have crossed that line, but I suspect very strongly that, with the passage of Bill 118, if it goes through as is, we will have power at profit, the profit to be used and put towards the government's social priorities.

I think this amendment will be very helpful in restricting the government's desire to use the profit it is going to generate from Bill 118. That is why I will be supporting this amendment.

**Mr Klopp:** I have to speak against the motion. Although we talk about the real world, profit and not-for-profit, any business I have been in—and I guess I draw it back to my own farm—if I ever walked into a banking situation and told them that I bought the farm for \$1 and 20 years later I had \$50 in debt but I told them, “But I made \$10 in there somewhere,” they would say I was not a very good business person.

They owe \$40 billion or thereabouts—\$30-some billion. They have about \$6 billion—

**Mr Jordan:** Who is “they”?

**Mr Klopp:** Ontario Hydro. So I think we do not have to worry about power for profit. I do not think they have ever worried too much about it.

It was brought up a moment ago about the social priorities and how the money would be somehow coming out of Ontario Hydro and going into the government. I do not see anywhere in the intent of this bill where that is going to happen. Ultimately in not-for-profit they should at least pay their bills when they purchase something but not make a profit on top of that. With the amount of debt they have in spending for our future and for our electrical needs—

and we need it—I would say they have not gone over the idea of power at profit.

**Mr Jordan:** I would also like to speak in support of this motion on the basis that, as we went around the province—and I point again to the number of people who came before us with excellent presentations. I do not see how we can sit here today and pretend we never heard them. If you summarize them and look at them, they wanted Hydro to stick to its mandate.

We are changing the mandate, in my opinion. If we, for instance, give a \$2,000 outright grant for me to change my electric furnace to a gas furnace, then through this motion here we are asking that it be recorded separately from the cost of power. So eventually on my Hydro bill I would expect to see my bill for power at the cost of generating and transmitting power and then separately a surcharge or whatever they like to refer to it as so I know what it is costing me for fuel switching and I know what it is costing me as a customer for these other items. I know they are going to be buried in the cost of power. If it cannot be shown on my statement every three months or every month, whenever you get it, then perhaps it could be shown once a year or quarterly, those costs that go over and above generation and transmission.

**Mr Klopp:** Just on a point of clarification, Mr Chair: Should it show on my Hydro bill the breakdown of what my portion of the hydro is for the nuclear portion of what Ontario Hydro has done for me, the portion of when it bought new trucks to replace the old trucks because they are more energy-efficient, hopefully lowering the cost? Would you want them all separated out like that on my bill?

**Mr Jordan:** I suggest you read the present Power Corporation Act.

**Mr Huget:** There is nothing in Bill 118 that affects provisions with regard to profit. The power-at-cost principle remains.

**The Vice-Chair:** Any further discussion? Seeing no further discussion, all those in favour of Mr McGuinty's motion?

**Mr Brown:** May we record this?

1030

The committee divided on Mr McGuinty's motion, which was negated on the following vote:

**Ayes—5**

Arnott, Brown, Cleary, Jordan, McGuinty.

**Nays—6**

Farnan, Huget, Klopp, Marchese, Murdock, S., Ward, B.  
Section 7 agreed to.

Section 8:

**Mr Huget:** Generally speaking, the amendment that is here is a housekeeping amendment. Some municipal commissions are already treating the cost of energy conservation programs as a capital expenditure. It is to be noted that the ability to treat the cost of energy conservation programs as a capital expenditure may facilitate greater participation by municipal electric utilities in conservation programs

and make such programs available to greater numbers of Ontario residents.

**Mr Arnott:** This is with respect to section 8, the conservation program, correct?

**The Vice-Chair:** Yes.

**Mr Arnott:** I think my colleague Mr Jordan had some concerns about current operating expense as a capital expenditure in the situation. Would you like to explain it, Mr Jordan?

**Mr Jordan:** In the past it has been the policy that programs such as anything related to marketing or conservation would be taken out of current revenue, and you would be required to strike your rate structure on the basis of your projected costs for that program.

Now we are going to give the local commissions in the different municipalities the right to go into debt as a capital expenditure in order to finance these programs such as fuel switching and so on. This is in light of some utilities that have presently a very poor distribution system—they need transformers upgraded; they need conductors upgraded. The right high-pressure person coming in from head office to impose the need and the benefits of a type of marketing program and driving the utility into debt can put the customers of that municipality in a very bad situation for the future cost of power in that municipality. I really believe that a marketing program or a conservation program should be out of current revenue.

**Mr Klopp:** The way I read the conservation change, it does not say they are forced to get into debt.

**Mr Jordan:** It is like opening your barn door. You did not tell the cattle to go out; they just went out.

**Mr Klopp:** No, I would not say that, because we have Aberdeen Angus cattle and they know enough to stay in from out of the rain. I think it should be put in the context of human beings and not animals. I take a little offence at that, because I do have animals.

It is a little bit like saying we are not going to allow anybody the opportunity to get a MasterCard because the poor person might use it, so therefore we should legislate that no one can have a MasterCard. If that is the way the Tories like to put things in, I do not like that idea. I think we should be a little freer. The fact is, no one is forcing them to do it. I have a lot of faith that those municipal PUCs are not going to be bamboozled by some high-technology guy from Ontario Hydro to go out and spend millions of dollars or whatever.

Anyway, I think there are a lot of municipalities that would welcome the idea if they wish to expense these things out a little bit, not unlike what they do with their transformers, not unlike what they do with trucks and equipment they buy to make their operation more efficient, maybe even saving the ratepayers money. I am in favour of this amendment.

**Mr Huget:** Section 8 enables the municipal corporations the option, and I think it is important to stress "the option," of capitalizing the costs of energy conservation programs. Some utilities welcome this flexibility and there

is no requirement on other utilities to handle their costs in any particular way.

**The Vice-Chair:** Thank you, Mr Huget. Any further discussion? Seeing no further discussion, shall section 8 carry? Thank you.

Section 8 agreed to.

Section 9:

**The Vice-Chair:** Section 9 is next on our list. Mr Huget, do you have any opening comments on section 9?

**Mr Huget:** The bill was introduced on June 5, 1991. At that time, the government made it perfectly clear that its intention was to enact legislation which would make the chairperson of the corporation the chief executive officer. The government made it clear that the change was to be retroactive to the date of the introduction of the bill.

**The Vice-Chair:** Thank you, Mr Huget. Any debate on this? Mr McGuinty.

**Mr McGuinty:** This is a very controversial provision found within Bill 118. It is only rarely that we try to change laws retroactively, and we do that because people are expected to know the law of the day and operate under those rules. If the law changes, that is fine. But it affects things from here on in and not things which were understood in the past. What we are doing is reaching back in the past here and we are saying to the board of directors, who happened to get together and elect as a chief executive officer a gentleman by the name of Alan Holt—

**Mr Brown:** Very capable fellow.

**Mr McGuinty:** Extremely capable man. He started at Hydro when I was one year old. He has been there for 35 years.

**Mr Klopp:** How old are you?

**Mr McGuinty:** Figure it out, Paul. He has been there for 35 years.

**Mr Klopp:** I didn't know how old you are, if you're 20 or if you're 50.

**Mr McGuinty:** Listen, Paul. Pay attention now. He was there for 35 years and I was one year old at the time.

He acquired during that period of time at Hydro extensive experience. He came up through the ranks on the basis of ability and nothing else. He was made a CEO by due process, by the laws of the day which allowed the board of directors to elect a CEO, and that is what he did.

Of course, the Premier and Mr Eliesen had concerns with that and we now have a provision within Bill 118 which publicly emasculates Mr Holt. It tells him, "You may have been elected by the board of directors but you can't do anything, and anything you may have done we simply will not count, even though you were elected quite lawfully, quite in keeping with the laws governing your election."

This is a very controversial provision and we had a good briefing on this matter from the Canadian Bar Association. I am just going to quote its concerns found within its presentation to us. Actually, it was originally submitted to the Minister of Energy on September 10, 1991. Page 5 of that submission to the minister says:

"By attempting to retrospectively remove the president's authority before such authority is validly conferred on another, it places the president, the chairperson, the corporation and persons dealing with the corporation in very difficult positions. Who may the public or any other person contracting with Ontario Hydro's assume to be chief executive officer?"

"The president is validly in that position as the law is today, and the chairperson is in that position as the law may validly be tomorrow. The uncertainty is further complicated by the fact that the duties of the chief executive officer are not defined in the Power Corporation Act. This is an inappropriate use of retrospective lawmaking. Budget enactments often have to be effective from the date of first reading to prevent abuse or disruption in the marketplace. This is not an appropriate method to change the duties of the senior officers of a major statutory corporation."

1040

**Mr Jordan:** I have to speak in support of Mr McGuinty's assessment of this government motion. As he has very well pointed out, we have had the assessment of the Canadian Bar Association on this. They find it offensive. I think that was the word they used. They find it offensive to the normal legal procedures used in this regard. They did not say it should be taken out or it was illegal. I think they termed it "legally offensive" to have it retroactive and not to have recognized the action by the existing board.

**Mr Huget:** This section is designed to reduce the uncertainty with respect to division of authority between the chair, chief executive officer and the president during the period when the bill was being considered. The government believes it was important to reduce uncertainty for the many suppliers and others of a corporation the size of Ontario Hydro. I will ask Mr Ciemiega to make some additional comments.

**Mr Ciemiega:** Mr Jordan has correctly stated the position that may have been legally offensive, but it certainly is not illegal. The Ministry of the Attorney General looked at this particular provision before we put it in the bill, as did one of the top law firms in the city of Toronto. Both arrived at the same conclusion that the government was perfectly within its right to do what it did in the circumstances.

**Mr Brown:** This is the most astounding clause I have probably ever seen in legislation, and any government proposing it should be totally embarrassed. All you have to do is read the thing. It says: "Any action taken on or before the 5th day of June, 1991, and before the coming into force of this act by any person purporting to act as a corporation's chief executive officer who was not the corporation's chairperson when the action was taken shall not bind the corporation."

First of all, wow! That is really quite incredible just in and of itself. But what it speaks to is what Bill 118 is really all about. At the risk of using a bad pun, it is about power. It is not about accountability; it is about power, and I am not talking about electricity. What it is about is a power grab by a government that wants to run Ontario Hydro out of the corner office. All the provisions of this bill indicate that quite clearly. The government can deem anything to

be power at cost as long as it is on the basis of a director. The directors have no liability. We had a little problem with the Hydro board, so now we have to add four members and pack it.

There is just no question what the entire act is about. Section 9 says it quite clearly: "We're going to do what New Democrats want to do, and while we will dress it up with all this public accountability and all that kind of nifty jargon, what it is really about is, we're going to run it out of Bob Rae's corner office. That's the way Ontario is going to go for the next three or four years."

The committee members, especially the government members, should be embarrassed. I would love to go back and defend a clause like this to my constituents. It is just outrageous. With that, I will indicate that I probably will not support it.

**Mr Klopp:** Interesting. Actually, in my riding, the ones who have been talking about Ontario Hydro for years do not have any real problems. They have come up to me when they were following this and some of the things you alluded to. They felt that, as a government, we were slighted by the board.

I agree with some of the comments and I think Mr Jordan put it pretty well about the legalese and definitions. But it was legal. That is what I am worried about. That is what I have to defend to my constituents, that we do not circumvent laws.

The arguments about trying to say it is going to be run out of the corner office: There have been people who have said, "That's been in the back door for 100 years." Maybe it just ticks a few people off that we are going to—I and all of us—have to be more responsible because now I have to say that we have a little more say through our Minister of Energy in this bill. Whether or not we want to get into the semantics, I do not have any trouble defending this. It is legal. It was made very clear at the beginning when this bill was announced. It was not something we snuck into this committee three weeks ago that, "We're going to make this retroactive," or any of that kind of nonsense. It was on the day the bill was read in the House, and I can defend this with a fairly clear conscience.

**Mr Arnott:** I am very concerned about this part of the bill. It may in fact be legal, as the government members have indicated, but it is offensive and repugnant to Parliament, and to Al Holt, I would suggest. The wording of it is almost suggesting that the government expects someone is going to be running around that building purporting to be the CEO of the corporation and undertaking initiatives as CEO. I just think it is extremely insulting to the board of Hydro, to the executive of Hydro and, as I say, to members of the Legislature when we come back to the issue of making aspects of the bill retroactive to the day of first reading. That is not a parliamentary tradition. Supposedly we are here to debate these issues and, after such time as sufficient debate has been conducted, bills are passed into law. That is what we are here for. I wonder sometimes, with legislation of this nature, whether members of the Legislature are not becoming a little bit redundant.

**Mr Farnan:** I really do not have much to say. I have heard all this for the last three days. There is nothing new in what has been said, maybe a little bit more vitriolic. There is no additional substance to the arguments put forward on this clause than what I have heard in the last three days, and therefore I will not go along with the kind of partisan thinking and expressions that are being made at this time.

**Mr McGuinty:** I am trying to compose myself here. I can hardly contain myself. I am so unnerved by the possibility of this becoming law—

**Mr Marchese:** Be non-partisan, Dalton.

1050

**Mr McGuinty:** Be non-partisan, yes.

There is one thing I want to address, and that is the merit we are supposed to somehow see in this provision in that it is legal, as if somehow that justifies the provision. It is lawful. If we are into a position where the test to be applied to legislation is whether it is lawful, then I think we are in a very sad state of affairs. Surely we have to consider the spirit of the law, and even some test of morality, if I can be so bold. We have to apply some test of fairness to legislation. Let's not get hung up on the application of a legal test as the only one that is to be applied in the circumstances.

The test that has to be applied in addition to legality—we have to surely to God assume that it is legal, although it gives me great concern that the government even had this looked at. They had their own doubts as to whether it was lawful. They took it to the Attorney General's office and said: "Look, guys, what do you think? Is this lawful?" So they had some very serious concerns. They had their own grave doubts as to whether it was lawful.

But beyond that, the issue of fairness is surely one that has to be given some consideration whenever we are dealing with any kind of legislation, and this legislation, forgetting the test of whether it is lawful, is patently unfair. We are using the law to retrospectively emasculate the president of Hydro, who was appointed lawfully. On any measure of fairness, surely that has to be deemed to be an unfair provision and one which this government should take no pride in having put forward.

**The Vice-Chair:** Any further debate?

**Mr Huget:** Just very briefly, I find rather disturbing some of the allegations that are made by the opposition and the third party in terms of the government intent when it comes to Hydro. There is nothing in Bill 118 that hijacks Ontario Hydro and in fact we make it clear that Hydro is responsible for its day-to-day operations.

I can only comment that a remark like the Ontario Hydro corporation being run out of Premier Rae's office may stem from the experience of the opposition party when it was in power and may stem from the experience of the third party when it was in power. That may very well have been the relationship that existed. However, clearly in Ontario we are moving in a new direction and an open direction when we involve power and Hydro, and the allegations that were made by both parties in terms of hijacking Ontario Hydro I find absurd and normally not worthy of a response.

**Mr Brown:** I just have a question of the parliamentary assistant regarding his remarks. I would ask him what provisions in this bill provide for more independence of Ontario Hydro from the Premier's office.

**Mr Huget:** There is no provision in this bill that allows for the Premier's office to run anything.

**Mr Brown:** I asked the opposite question, which the parliamentary assistant does not wish to answer, I guess. I ask, what provisions in this bill separate Hydro from the Premier's office and from the government offices more directly? Any fair reading of this bill has to indicate that the government has far more control over Ontario Hydro than it ever has had in history.

**Mr Huget:** The Premier's office or the Premier is not referred to in the bill and there is no provision of the bill that requires the Premier's involvement in any aspect of the legislation.

**Mr Jordan:** Rather than getting involved in a lot of legal jargon about this, I think that part has been made clear, but I think we have to be honest and say that the previous board acted legally in appointing the best applicant it thought had the qualifications to do the job. It was not the applicant the government felt was best qualified to carry it out. The Minister of Energy at the time the bill was introduced—and I have the quote here—stated in the House and in these reports that it was necessary to have a chairman and chief executive officer who would be understanding of the philosophy of this government relative to nuclear power. This was very important to them, and that was made quite clear in the Legislature.

Even though Mr Holt was considered by the board to be the best-qualified person in all aspects to be the chief executive officer of the utility, the government had concerns that Mr Holt would tend to follow the 25-year demand-supply plan that had been taken around the province. The government felt there was too much emphasis on nuclear energy as a base supply in that plan. They have taken the base supply now and broken it into segments of gas-fired turbines giving off CO<sub>2</sub>. That is fine. They are the government and that is the way they want to do it. To be able to carry out their wishes, naturally then they wanted someone who would be more compatible, if you will, in that regard, so the bill is retroactive to make the previous appointment null and void.

**Mr Marchese:** Just two things, one on the issue of legality: I think the point was that it is not simply using a legal test to either clarify or justify the actions we have taken. I think the response that came from here was in response to Mr McGuinty raising the issue of the legality. The point was that what has been done is legal, but that certainly is not the only test that is used.

It certainly is not an issue of fairness either that we are raising. It is an issue of accountability. It is an issue of governments taking responsible actions for greater accountability and efficiency of utilities that very much relate to this government. That is a responsibility every government has to take, and not disassociate itself from those utilities that are very much connected to the people of Ontario and to this government and the direction of this government as well.

**Mr Huget:** Previous governments often provided informal policy direction in closed sessions with Hydro's senior management. What we have done is to simplify the process and, most important, ensure that the process is open to the full view of the public.

With regard to the comment about a nuclear moratorium, the good and informed citizens of this province voted for this government knowing full well what our stand was on nuclear power, and there are no surprises.

**Mr Brown:** Just to pick up on the nuclear moratorium, I would point out to Mr Huget he should maybe read the Agenda for Power. I think that is kind of cute, is it not?

Interjections.

**Mr Brown:** I just point out that your election platform did not call for a moratorium on nuclear power. Just to be factual, you were going to eliminate it.

**Mr Huget:** At times, trying to follow Mr Brown's comments resembles sending a blind man into a dark room to find a person who is not there.

**Mr McGuinty:** Just to pick up something Mr Huget said about making this process open and public, we are getting this analogy of a back door and a front door—

**Interjection:** A closed door.

**Mr McGuinty:** A closed door, half-opened door, door slightly ajar. I think when you look at it, what we are talking about here are policy directives. A policy directive is not something I am going to be able to debate, either as the Energy critic or as a member of the Legislature. It is not something the government members are going to debate. I truly hope they understand that. It is not something the ratepayers are going to be involved in. It is not something the board of directors in any real sense is going to be involved in. It is going to be a decision made behind closed doors in the cabinet office by a very select few. So I am not sure how in any way you can attach characteristics of openness or transparency to the procedures that are going to be brought about by Bill 118.

1100

**Mr Farnan:** It just strikes me that Mr McGuinty in his remarks, and other members this morning, wish to paint the worst possible scenario, the worst-case scenario in every possible way, and choose to depict the worst in human nature.

You know, we have a determination to bring the best-qualified people to the board. We have a government that is open in its dealings. I do not think there has ever been a government as open in its dealings. I think this is the first government that has opened the books of the province very clearly to the people—pre-budget consultations, very extensive consultations. This is a government that does not work by cloak and dagger. This is a very straightforward government. Maybe it is the role of the opposition to simply undermine and to be negative, and that is sad, because when I look at the honourable members, I do see them as honourable individuals who by and large are forthright, but when we resort to this kind of innuendo and dark scenarios, we are not serving the people of Ontario well. We really are not.

What we are talking about here is legislation that will improve. We are not going through this exercise simply for some dark reason; we are going through this exercise to improve the system, to improve the delivery of service, to improve the efficiency of service, to improve the accountability of service, to improve the kind of relationship between government and a crown corporation that can maximize the potential of that crown corporation. Why the opposition would stoop to such low, cheap politics in this particular instance, in my view, constantly harping on worst-case scenarios—I think it really does not serve the interests of the people of Ontario.

**Mr Huget:** Mr Chairman, I would like to withdraw my remarks I made to Mr Brown. I think they were unfair and not called for. They were made out of frustration and I apologize for them.

**The Vice-Chair:** Thank you, Mr Huget. Mr Brown.

**Mr Brown:** Thank you, Mr Huget. I have had worse things said. I am just interested in this whole issue of having motives imputed to the opposition, which is not being fair. All I am saying and all my colleagues, I think in both opposition parties, have said, is read the bill and judge it on that. Do not judge it on what our presumed character is or what our presumed motives are or whether we are supposedly professional oppositionists or whatever. Just read the bill.

The bill is clearly a power grab. It has nothing to do with accountability. It is the most blatant power grab around here in generations, and they are saying it is okay because it is up front: "It's up front. We've grabbed it out here in the public domain so you can all see we grabbed the power." But it has absolutely nothing to do with accountability, it has absolutely nothing to do with openness. They have turned down amendment after amendment about those things put forth by both opposition parties. I am not criticizing anything other than saying read the bill. The bill clearly says that, and if the government would make that point and say: "This is what we're doing. We're going to grab control of this corporation and we think that's in the public interest, for us, we New Democrats, to have control of this corporation," fine. I can live with that argument. But do not tell us about openness. Do not tell us this is about accountability.

**Mr McGuinty:** Just with reference to my honourable colleague Mr Farnan's comments, I am sure he was caught up in the heat of the moment when he was suggesting that the members of the official opposition and the third party, I think generically, were doing this for purely political purposes. If that was not his intention, I am sure he would want to reconsider that.

I do not want to get into a debate as to what the proper role of the opposition is, but just let me state that we have a special obligation—I am sure you understand this, Mr Farnan, based on your experience in opposition—to point out the shortcomings. We represent a constituency of people who have addressed this committee and who have related their very real concerns about Bill 118. Our duty is to bring those to the fore and to make sure you understand that if you go ahead with this, we have done our job in

highlighting those shortcomings. If you choose to go ahead notwithstanding, that is your prerogative and your right. Thank you.

**Mr Farnan:** I have to accept the remarks of Mr McGuinty. If I in any way imputed a motive that was other than worthy to the third party and to the official opposition, I sincerely withdraw that. If that is in the record in any kind of way, I would want to withdraw that. I honestly believe that opposition members work hard to get a point across. If there is any substance to the remarks I made, it is probably a frustration with what I perceive to be an overly negative view of an approach to the legislation. That I stand by. I think there has been an overly negative approach. I have consistently tried to be positive over the last three days in terms of looking for intent—positive principles that we all share. I think all members of the committee will respect that comment.

At the same time, I have a problem when one looks at legislation and simply paints a dark picture and suggests a dark picture. I would suggest that opposition members have implied motives during this process, for example, simply suggesting a power grab, implying a most negative motive to the exclusion of anything else. That is my problem: when there is not a balance in the remarks.

Perhaps things have not worked as smoothly in the past and indeed there may be room for improvement, but there is indeed an honest effort by the government to bring in legislation that will improve it. It may be that you do not see the legislation as the answer, but I think it makes some sense to say: "Yes, I think you guys are trying; you want to do something positive; you want to do something constructive," and then make the criticism. I would accept that as a fair response. What probably upset me was the negativity of the responses I heard. As far as imputing unworthy motive to opposition members, I would withdraw that totally.

**Mr Jordan:** I just want to comment on Mr Farnan's final comments regarding the motives of the opposition. I am glad he has made this clarification of understanding of his remarks, because we were indeed more than sincere when we took time from our constituencies to go about the province and bring this bill before the people. If you look at the calibre of the remarks I have summarized here that came from the different utilities, from the Association of Major Power Users, from all the groups across the province, they were not coming in just to be there to be on the record; they were deeply concerned.

Even if the government acted in good faith, which I believe it did, as to a need in its mind to make Hydro, if you will, more responsible to the people and it saw a method of doing it by making it responsible through the government to the people rather than through the board of directors and through the municipal electric associations, my concern is that in attempting to solve this perceived problem it has overreacted, really, in leaving itself room in this amended Bill 118, which will become part of the Power Corporation Act. To me, other governments or other people have far too much leeway, if you will, to change the whole concept of the utility. It is there, and believe you me, somebody may use it. Only history will tell us in the

future whether we have overreacted and whether we have in fact given too much power to the government and to the Minister of Energy.

**1110**

We can go forward in faith that this government will not abuse the power given to it. That is all I can see that we can do because the time we have spent—a month, you might say—has changed the objectives of the government very little in bringing the utility under its control.

The two things that are scary are making the board of directors not accountable for its actions, and a policy directive that can go directly from the minister to the chairman and chief executive officer. He can sit there with all the power he has been given and tell his directors: "We have this directive. It's up to us to implement it. If you're not in favour of it you may say so, but you won't be held accountable, so we'll go ahead and get it into service."

It has been opened up to the utility for that type of direction. We do not have a research department in the Ministry of Energy that I am aware of. We do not have the expertise that they have over at 700 University Avenue. If you appoint the right people to the board of directors, I hope they will continue to listen to them even though they have the power to direct them.

With your permission, Mr Chairman, later I will introduce a motion to this committee relative to those concerns and summarizing the fact that I do not think this is an electrical energy problem. I think this is a general energy problem for the province. It involves oil, gas and electricity. We have been concentrating only on the one: electrical energy. I would like that opportunity later. Thank you.

**The Vice-Chair:** Thank you, Mr Jordan. Any further debate? Hearing none, shall section 9 of the bill carry? This will be a recorded vote.

The committee divided on whether section 9 should stand as part of the bill, which was agreed to on the following vote:

#### **Ayes—6**

Farnan, Huget, Klopp, Marchese, Murdock, S., Ward, B.

#### **Nays—5**

Arnott, Brown, Cleary, Jordan, McGuinty.

Section 9 agreed to.

Section 10:

**The Vice-Chair:** Mr Huget moves that section 10 of the bill be struck out and the following substituted:

"Commencement

"10(1) This act, except subsections 1(2) and (3), comes into force on the day it receives royal assent.

"Idem

"(2) Subsections 1(2) and (3) shall be deemed to have come into force on the 5th day of June, 1991."

**Mr Huget:** This is a housekeeping item. The committee has deleted subsection 1(4) of the bill, which dealt with the Chair's remuneration, therefore reference to subsection 1(4) is being deleted from this section.

**The Vice-Chair:** Thank you, Mr Huget. Any discussion?

**Mr Farnan:** Can you explain to me why this is being done?

**Mr Huget:** We have deleted section—

**Mr Farnan:** I think I am going to call for a 20-minute break, Mr Chairman.

**The Vice-Chair:** How be it we have a five-minute recess?

**Mr Farnan:** A five-minute recess will be fine.

**The Vice-Chair:** We will resume promptly in five minutes.

**Mr Brown:** Mr Chair, is the debate completed on this and we are just calling the vote?

**Mr Farnan:** No.

The committee recessed at 1117.

1124

**The Vice-Chair:** We will call the meeting back to order. We are on section 10 of the bill. Any further discussion on the government motion? All those in favour? Opposed?

Motion agreed to.

**The Vice-Chair:** Shall section 10, as amended, carry?

The committee divided on whether section 10, as amended, should stand as part of the bill, which was agreed to on the following vote:

#### Ayes-6

Farnan, Huget, Klopp, Marchese, Murdock, S., Ward, B.

#### Nays-5

Arnott, Brown, Cleary, Jordan, McGuinty.

Section 11 agreed to.

Title agreed to.

**The Vice-Chair:** Shall the bill, as amended, carry?

The committee divided on whether the bill, as amended, should carry, which was agreed to on the following vote:

#### Ayes-6

Farnan, Huget, Klopp, Marchese, Murdock, S., Ward, B.

#### Nays-5

Arnott, Brown, Cleary, Jordan, McGuinty.

**The Vice-Chair:** Shall I report the bill?

**Mr Jordan:** I would like to put forward a motion, Mr Chairman.

**The Vice-Chair:** Mr Jordan moves that the government, given double-digit price increases for hydro rates in the province of Ontario and the subsequent effect on investment, and given the uncertainty over future power supplies in the province of Ontario, as demonstrated by Hydro's revised 25-year demand-supply plan, establish an all-party select committee on energy to study the management of Ontario Hydro, their future generating potential, and issues related to all forms of energy in Ontario, and that pending the report of this select committee Bill 118, An Act to amend the Power Corporation Act, not proceed.

**Mr Jordan:** Throughout not only this committee meeting but as we took the bill across the province, I think I have on several occasions brought this point forward and received considerable support from the people coming before us. The point was that we were not talking about Ontario Hydro, but were in fact talking about all forms of energy; that the minister is Minister of Energy, not minister of Ontario Hydro; and that, in that this bill involves fuel switching and many other changes to the operation of the utility and the 25-year demand-supply plan, in moving forward with these mechanisms to try to meet the needs of the people of Ontario on which energy is best for which use, we do not do it blindly, that we have this committee and we sit down and once and for all, and for a good number of years ahead, establish an energy policy for the province of Ontario.

**Mr Huget:** This motion would unnecessarily prevent Bill 118 from proceeding in a timely manner and is therefore unacceptable to the government. The demand-supply plan is being reviewed by the Environmental Assessment Board and this motion prejudices the board's decision. We will not support the motion.

**Mr McGuinty:** I will speak in favour of the motion brought forward by Mr Jordan. What the government is attempting to do through Bill 118 is to resolve a problem that it perceives exists. However, it is not addressing the problem in a comprehensive manner. As a result, we are going at this on a piecemeal basis when really, if we are going to approach this responsibly and intelligently, we should be looking at the broader picture.

Bill 118 only looks at a very small part of the problem. We heard of all kinds of problems associated with Hydro that extend beyond the purview of this bill, and we heard of all kinds of problems here at the committee relating to other sectors of energy outside of Hydro. I think for that reason we should establish a select committee, take a look at the big picture, and then reconsider this bill.

1130

**Mr Klopp:** I just want to say that I concur with the parliamentary assistant on the reasons we have a problem with supporting this motion at this time. We have heard a number of people who had concerns. I know that you did bring up a lot of questions, Mr Jordan, about whether we should have a special committee, and there were many who said yes. There were also many who said very clearly that this bill, Bill 118, should not be held up any more, but should start to go ahead as soon as possible and in a timely manner.

Unfortunately, if I were to support this motion, I would then be holding up this bill. I think there are more people who came and said, "Let's get on with the process," so I cannot support your motion at this time.

**Mr Jordan:** Are you suggesting that the motion be amended?

**Mr Klopp:** No.

**Mr Arnott:** I would like to speak in support of this motion. With respect to what the member for Huron has just suggested concerning the issue of holding up the bill, I think there are provisions of the bill that make the bill retroactive back to the date of first reading, for example,

and I do not see how this would handicap the government in any way. I think it is an important and positive and constructive suggestion by our party, and I would hope the government would view it as such.

But I would like to ask the parliamentary assistant to the minister: If this motion were adopted by the committee and if in fact the government accepted the recommendation, how would it prejudice the hearings that are presently ongoing, as he suggested? I do not understand that.

**Mr Huget:** The motion would unnecessarily prevent Bill 118 from proceeding in a timely manner, and for that reason it is unacceptable to the government. The demand-supply plan is being reviewed by the Environmental Assessment Board, and this motion would indeed prejudice the board's decision. I will defer to Mr Jennings.

**Mr Jennings:** If passage of the bill is delayed, certainly the fuel-switching provisions would be delayed, and any programs or activities in that area would obviously be delayed for some time.

**Mr Jordan:** This is bringing out something that the people of Ontario and certainly the people of the Legislature should think about. We in all sincerity took this bill to the people, and now I am understanding the parliamentary assistant to say that the updated 25-year demand-supply plan as revised and presented to the assessment board is dependent on Bill 118 passing without delay.

What the government has done here is to proceed with this demand-supply plan. I see counsel shaking his head, but the parliamentary assistant, as I understood it, stated that it was a requirement, as part of that which is now before the board, that this bill proceed without delay. If that is an issue, I think it should be talked about here and clarified, because you are pre-empting the whole purpose of this committee.

**Mr Huget:** I will defer to Mr Jennings.

**Mr Jennings:** The motion references Ontario Hydro's revised 25-year demand-supply plan and suggests that the proposed select committee would look at Hydro's future generating potential and other issues which are currently before the Environmental Assessment Board. Ontario Hydro's demand-supply plan, now its updated plan, is being reviewed by that Environmental Assessment Board. That is a quasi-judicial forum for reviewing that plan, so an issue would be whether having a select committee look at it at the same time would be prejudging the decision of the board. That is what the reference to the demand-supply plan was.

**Mr Arnott:** Are you saying a concurrent study of an issue undertaken by the Legislative Assembly or a committee of members of the Legislative Assembly, which is done concurrently with hearings at a board, is improper somehow?

**Mr Jennings:** I did not say it was improper, but I am saying it is obviously duplicating something that is already going on in a forum that has been established to do that.

**Mr Arnott:** But you are saying by definition that would prejudice the outcome of the hearings at the board.

**Mr Jennings:** It has the potential to prejudice the outcome of the hearings of the board, which has heard intervenors and has already been holding hearings for over a year.

**Mr Jordan:** Excuse me, Mr Chairman, but the hearings now are no longer on the original plan, they are on the revised plan.

**Mr Jennings:** They are dealing with the plan as updated on January 15.

**Mr Jordan:** But they are not dealing with the original plan.

**Mr Jennings:** There are a number of items they have to look at to approve or review the rationale and need for, and there are fewer of those items now, given the update. They are looking at the plan as updated by Hydro in January.

**Mr Jordan:** Would it be fair to say this plan cannot go forward without the policies of Bill 118?

**Mr Jennings:** There are estimates in that plan based on what Ontario Hydro expects could be achieved from fuel switching. There are also estimates in that plan of what Ontario Hydro expects would be achieved from government regulations with regard to the energy efficiency of appliances. There are expectations about what would be achieved in non-utility generation. There are expectations as to what Hydro would achieve in its other demand-management programs. There is a whole host of expectations.

**Mr Jordan:** Do you really think it was proper to present this plan prior to the bill receiving royal assent?

**Mr Jennings:** I cannot comment on that.

**Mr Jordan:** How does the parliamentary assistant feel?

**Mr Huget:** Any answer I would provide would be my opinion and I do not think it is appropriate for the question or for my opinion.

**Mr Arnott:** I think it is appropriate for the parliamentary assistant to respond on behalf of the government to this very valid, legitimate question.

**Mr Jordan:** I am referring back to Mr Farnan's comments.

**The Vice-Chair:** Mr Farnan had a further comment, so maybe we should hear Mr Farnan's comment.

**Mr Farnan:** As we draw to a close on this, Mr Chairman, I would want to take the opportunity before we close to comment on your outstanding leadership in the chair. I am sure all members of the committee would want to concur with that.

I also want to say that we can ask all kinds of questions. Indeed, the opposition, even with the committee completing its work, can legitimately continue to ask questions. I think that is acceptable and understandable and part of the role.

At this particular stage, I think there is one fact the parliamentary assistant stated in his summation, that the government requires timely passage of this legislation. There has been considerable consultation, there has been a very good discussion through the committee process, and we want to get on with the business of government. This is part of it; it is part of our agenda. We want to move ahead. It does not stop the questioning and it does not stop the

opposition from seeking answers to what it perceives as legitimate questions. I think at this particular moment in time, we have come to the end of our committee deliberations.

I would suggest that Mr Jordan's motion does not gain my support simply on the basis that it does not allow for the timely process of the government's agenda on Bill 118. I would hope those other questions, legitimate as they are, can be pursued beyond this committee.

**Mr Jordan:** This may be out of order. My question is to Mr Farnan. Does he feel that a plan such as the updated demand-supply plan which is admittedly this morning dependent on the passing of Bill 118 relative to fuel switching and other changes—I know it has not been done, but would it not have been more in the interest of the democratic process and in support of it to have waited until we had royal assent for Bill 118 and then presented this plan to the public?

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**Mr Farnan:** Let me put it this way. It is like the glass of water. Is it half full or half empty? On the one hand, you could say to people I want to commend your foresight in looking at these issues and in getting on with the job and in doing research and in putting forward proposals, but many things have no substance in fact without the support of legislation. Indeed were the government in its wisdom not to move forward with particular legislation, perhaps those initiatives would be redundant.

It happens that there is a concurrence of the minds here. There have been initiatives in terms of thoughtful planning and there is an initiative on the part of the government that supports that planning in terms of legislation. That sounds to me like a happy marriage, a fruitful and productive union, and we can go forward from there, hopefully with good planning, good accountability, a good working relationship between Ontario Hydro and the government. But at this particular stage we have gone through due process, and the government is anxious to carry on and to move forward with the legislation.

Your questions may be legitimate in your mind. From my perspective, I see an agency that is producing forward-looking plans and working out possible scenarios as being a very positive thing. As I have pointed out, it could be if the government did not have initiatives that integrated well with the creative planning on the part of Ontario Hydro, it would not be as productive as it looks as though it is going to be. I think for the sake of the people of Ontario and the taxpayers of Ontario, what we have are two things: Ontario Hydro forward planning and a government taking legislation action. That sounds pretty good. Let's get on and give the taxpayers that positive response that they are looking for.

**Mr Jordan:** I would just like to quickly reply to Mr Farnan in regard to his reference to what seems to be a happy marriage. We have witnessed a lot of those in actual life that appeared to be well thought out but did not last that long.

I just want to say that in rushing forward with this fuel-switching idea and the emission of CO<sub>2</sub> into the air as against storing spent fuel bundles—that is really the issue here: Which are you going to do: have more CO<sub>2</sub> into the atmosphere or find a place to store your spent fuel bundles?

You are going to have to find it anyhow because it is 60% of your base load. I am just concerned, since we interviewed the chairman and his staff and they said, "We haven't studied fuel switching to that degree," yet it has been made a policy to present to the public based on Bill 118. I just have a fear, has the homework been done? They may have some studying to do yet on it.

**Mr Huget:** The complaint that Hydro is planning for fuel switching based on the introduction of this bill argues for proceeding in a timely manner with the passage of this bill. The government has indicated its intent by tabling the bill, and Hydro would be remiss in not planning on the basis of a policy direction the government has clearly signalled. A decision as to whether or not the demand-supply plan update is proper will be decided by the Environmental Assessment Board.

**The Vice-Chair:** Hearing no further debate, all those in favour of Mr Jordan's motion? Opposed?

Motion negated.

**The Vice-Chair:** Now I will go back to my original question. Shall I report the bill? Yes, Mr Huget?

**Mr Huget:** Yesterday or the day before, I forget which, Mr Arnott requested information with regard to the conflict-of-interest policy and other duties of the Hydro board. I provided some of that information in terms of remuneration yesterday. I have the balance of that information now and I will table it with the clerk.

**Mr Arnott:** Unfortunately I was not here yesterday. I had a commitment in my riding. I would like to hear what was indicated yesterday as well as a verbal response from you at this time. I might have questions I could put.

**Mr Huget:** You asked for the information and I will have to go back to read yesterday's Hansard.

**Mr Arnott:** If it is available today.

**Mr Huget:** I thought that is why we had Hansard, so that you could review it. If it was a serious enough request, I would have thought you would have been here for the response. This is a fairly lengthy document. If it is essential that I read it on the record, I will do so.

**Mr Arnott:** Could you briefly summarize it?

**Mr Huget:** I can briefly summarize by tabling it with the clerk.

**Mr Cleary:** Just as a comment on that, I know the question was asked by Mr Arnott what the cost of four new directors would be to the board. When a question like that is asked, I believe the total cost should be there. I took it on my own last night and this morning to get that information. It is my understanding that the information that was given here was somewhat light on the cost of four new directors.

**The Vice-Chair:** Thank you, Mr Cleary. Any further discussion? We will now revert to the original question. Shall I report the bill?

Bill, as amended, ordered to be reported.

**The Vice-Chair:** Is there anything else that anyone wishes to bring before the committee at this time? Mr Huget?

**Mr Huget:** Can we order the bill back for third reading?

**The Vice-Chair:** I will defer to the clerk for some ruling on this.

**Clerk of the Committee:** The bill will be reported in the House. At that point in time when it is reported, there will be a question put by the Speaker of the House whether or not the bill will go to committee of the whole House. That is not something that happens in committee and it cannot be decided here.

**Mr Huget:** I can request it to be reported back for third reading; however, it could not happen. Is that what you are saying?

**Clerk of the Committee:** It has to be done in the House. Third reading is not a function of this committee. Therefore it is the House as a whole, not just the committee, that decides if it will go on for third reading or if it will go to committee of the whole House.

**Mr Huget:** I make the request and if it cannot happen, it cannot happen.

**Mr McGuinty:** I wonder if the parliamentary assistant might be able to enlighten us as to the timetable he has in mind for bringing this to third reading. Is he aware of that?

**Mr Huget:** I am sorry. I cannot do that.

**Ms S. Murdock:** I just would like to thank all the people on the committee and especially the ministry staff and the clerk and the members—

**The Vice-Chair:** And the subs.

**Ms S. Murdock:** —and the subs. But mostly because they have been most helpful. I know personally that I have appreciated their time and energy and information.

**Mr Huget:** I too would like to thank the ministry staff and committee staff for doing an admirable job of these sessions of committee hearings. I would also particularly like to thank the government committee members who attended faithfully and are interested in the subject.

I would like to thank the opposition and third party members as well, in particular Mr McGuinty and Mr Jordan, for their very enthusiastic participation and debate around this bill. I know both gentlemen have a keen and sincere interest in the matters that appear before this committee. I find their criticism has by and large been constructive, with a few sojourns into the non-constructive, but by and large well intentioned. I look forward to continuing to receive their input and counsel as we proceed with this committee.

**Mr Arnott:** I would like to extend plaudits all around, particularly to you for filling in as chairman this week. You have done an admirable job.

**The Vice-Chair:** Thank you very much. I would like to make a comment, and that is that it has been a very easy week chairing the committee, and I thank everyone out there for making it that. This committee seems to work somewhat better than others. We seem to get our points out without getting into heated debate, and I appreciate that. It makes it much easier as Chair.

With that, unless there is further comment, we will stand adjourned.

The committee adjourned at 1152.

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### STANDING COMMITTEE ON RESOURCES DEVELOPMENT

**Chair / Président(e):** Kormos, Peter (Welland-Thorold ND)

**Vice-Chair / Vice-Président(e):** Waters, Daniel (Muskoka-Georgian Bay/Muskoka-Baie-Georgienne ND)

Arnott, Ted (Wellington PC)

Cleary, John C. (Cornwall L)

Dadamo, George (Windsor-Sandwich ND)

Huget, Bob (Sarnia ND)

Jordan, Leo (Lanark-Renfrew PC)

Klopp, Paul (Huron ND)

McGuinty, Dalton (Ottawa South/-Sud L)

Murdock, Sharon (Sudbury ND)

Ramsay, David (Timiskaming L)

Wood, Len (Cochrane North/-Nord ND)

**Substitution(s) / Membre(s) remplaçant(s):**

Brown, Michael A. (Algoma-Manitoulin L) for Mr Ramsay

Farnan, Mike (Cambridge ND) for Mr Wood

Fletcher, Derek (Guelph ND) for Mr Dadamo

Marchese, Rosario (Fort York ND) for Mr Dadamo

Ward, Brad (Brantford ND) for Mr Kormos

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